Governance for Innovation
- Board Leadership and Value Creation in Entrepreneurial Firms

Daniel Yar Hamidi
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This dissertation has identified, developed and empirically tested concepts associated with the capacity of chairpersonship to promote innovation in entrepreneurial small and medium-sized enterprises (SMEs). A multi-methodological approach is applied in five studies, comprising a systematic literature review, three empirical studies and a concluding conceptual paper.

The dissertation focuses on how the chairperson of the board of directors influences value creation in entrepreneurial SMEs. Value creation in this context is about the performance of strategic leaders at entrepreneurial firms’ upper echelons in acting and making strategic choices aimed at increasing firms’ capability to engage in innovation. Innovation is defined as the generation and/or adoption of an idea or behaviour, relating to a product, service, device, system, policy or program, which is new to the adopting organization.

Innovation has been widely recognized as a concept central to economic growth and societal development. Governance is widely recognized as essential for the support and development of innovations in firms. However, the academic literature is scarce regarding how the chairperson of the board can contribute to and promote innovation in SMEs.

This dissertation offers theoretical and empirical insights into how the chairperson of the board of directors influences value creation in entrepreneurial SMEs. In this respect, the dissertation offers a conceptual framework and a research model for understanding board leadership in promoting innovation in entrepreneurial SMEs. The framework and research model emphasize the behavioural aspects of board
leadership and show how these are related to the development of entrepreneurial SMEs.

Furthermore, the findings in this dissertation provide actionable knowledge for practitioners and policymakers. In this respect, the dissertation contributes theoretical and empirical understandings of the benefits of employing external chairpersons with relevant knowledge and experience in SMEs. These insights also provide practitioners with advice on the qualifications and processes that can help them to develop innovation-promoting boards.

Keywords: governance, board of director, chairperson, board leadership, entrepreneurial firm, innovation, value creation, SME.
This dissertation is dedicated to my daughters Hanna and Vida. You are my inspiration to achieve greatness!
Nelson Mandela once said, “it always seems impossible until it’s done”. Today I have accomplished another important step of a long journey about my personal and professional development. I am grateful to everyone who has helped me in my struggle to achieve this stage.

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I should remember my late friend Lars Grönberg, who left us before we expected but was a source of great knowledge and experience to me and my work. Your wisdom will be with me in my work.
I cannot express my gratitude to my family for all the love, support and encouragement they have sent my way along this journey. Hani Ashtiani, without you I would not be where I am today. Thank you for being there for me at the end of the day. Your support and love has got me through when everything else felt unbearable.

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Borås 30 June 2016

Daniel Yar Hamidi
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Governance for Innovation
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Introduction

Scholars, policymakers and practitioners acknowledge entrepreneurial firms as a critical source of growth and economic development in societies. Most enterprises in the global economy – about 90 per cent of all firms – are small and medium-sized enterprises (SMEs¹). They account for more than 50 per cent of all global employment (IFC, 2014) and are thus important contributors to the world economy and the welfare of individual nations. SMEs are often characterized by flat organizational structures and limited hierarchies. This favours their flexibility and adaptability, which are positively related to innovation (Damanpour, 1991). In this vein, SMEs have been receiving growing recognition by researchers and policymakers as important engines of job creation and global economic growth (Acs and Szerb, 2007, Bammens et al., 2010).

Extant research has widely recognized innovation as a concept central to economic growth and societal development (Schumpeter, 1934, Damanpour and Wischnevsky, 2006, Drucker, 1998). To keep up with competition, SMEs must engage in innovation, which in this dissertation is understood as the generation and/or adoption of an idea or behaviour, pertaining to a product, service, device, system, policy or programme, which is new to the adopting firm/organization (Damanpour and Wischnevsky, 2006). Innovation in this respect is understood in a broader value creation context, in which value creation is about the performance of the strategic leaders at the upper echelons of the entrepreneurial firms who act and make strategic choices aimed at increasing firms’ capability to engage in innovation while enhancing firms’ strategic posture. Strategic leaders in this context include

¹ The definition of SME is based on the EU definition of firms (EC, May 2003) and includes firms with 50–250 employees, a turnover between 10 million and 50 million Euros or a total balance sheet between 10 million and 43 million Euros.
owners, boards of directors, Chief Executive Officers (CEOs) and senior management teams, who operate within the strategic apex of the firm and thus play an influential role in determining the direction and performance of the firm.

Governance is essential for the development of innovations by deciding the strategic agenda of firms (Damanpour and Wischnevsky, 2006, Drucker, 1998, Hill and Snell, 1988, Huse and Gabrielsson, 2008). In this dissertation, I define governance as the interactions between internal actors, external actors and board members in directing a firm towards value creation (Huse, 2007). Boards of directors constitute a major element of firms’ governance structures (Hill and Snell, 1988, Huse, 2007). Extant research has enriched our understanding about the potential role of boards of directors in SMEs (Brunninge et al., 2007, Gabrielsson, 2003, Huse, 2000, Zahra et al., 2007) but there is still much to learn about how the strategic leadership and governance provided by boards of directors might encourage and promote firm innovation.

This dissertation discusses the contribution of the board chairperson to value creation in entrepreneurial firms. In this context, I define entrepreneurial firms as small and medium-sized enterprises that seek to apply innovation in their strategic posture (Gabrielsson, 2007a, Miller, 1983, Zahra and Covin, 1995, Covin and Slevin, 1991). Entrepreneurial firms can be understood as SMEs that initiate actions to which other firms respond and that often take the initiative in taking new products and processes to markets (Covin and Slevin, 1991). Innovation is thus a core characteristic and a defining feature of entrepreneurial firms.

Boards of directors are often emphasized as untapped resources in small and medium-sized enterprises (Cowling, 2003, Bennett and Robson, 2004, Berry and Perren, 2001, Huse, 2000, Huse et al., 2011b, Gabrielsson and Huse, 2005). SMEs face scarce resources and cannot hire specialist staff. They might in this respect benefit from the resource pool and expert advice that could become available via a knowledgeable board of directors (Brunninge et al., 2007). It is suggested that the relationship between governance and boards’ strategic work and firm performance is most pronounced in medium-sized firms rather than larger and more complex organizations (Daily and Dalton, 1992b, Daily et al., 2002).

There has recently been increasing interest in the value-creating potential of boards of directors (Monks and Minow, 2011, Huse, 2007). Value creation in this context is about boards’ performance when acting and making strategic choices aimed at increasing firms’ capability to engage in innovation while enhancing firms’ strategic posture. Boards’ contributions to value creation processes should be throughout firms’ value chains (Huse et al.,
In order to contribute to firm value creation, there is a need to align the collective resources embedded in the board members and their work with the value-adding activities (Huse and Gabrielsson, 2012). From a value-creating perspective, this is one of the chairperson’s primary tasks and it pinpoints the importance of chairperson leadership to understanding value creation in entrepreneurial firms (Huse et al., 2009, Huse et al., 2008, Machold et al., 2011).

Board leadership is crucial in directing the contributions of individual members of the board of directors in order to nurture firms’ value creation (Huse and Gabrielsson, 2012). Board leadership also establishes board strategy involvement as an important mechanism for bringing out the boards’ value-creating potential (Machold et al., 2011, Leblanc, 2005). The individual with the ultimate capacity to exercise board leadership is the chairperson (Leblanc, 2005). Board leadership is thus referred to as the leadership exerted by the board chairperson in this dissertation. Chairpersons’ leadership is widely acknowledged as an essential feature in a well-functioning corporate governance system (Conger, 2009, Huse and Gabrielsson, 2012). However, there is limited scholarly knowledge about chairpersons’ work and tasks, both in firms in general and in SMEs in particular. This research thus aims to develop our understanding of chairpersons’ tasks and conduct in entrepreneurial firms. What do chairpersons do to develop value-creating boards of directors and what kind of processes, activities and questions are on the boards’ agendas to promote innovation in entrepreneurial firms?

Problem setting
The significance of SMEs for the economic growth and welfare of nations and their specific needs and prerequisites makes the domain of knowledge about their inner workings important. SMEs’ conditions differ significantly from the corporate sphere and demand specific attention in order to understand the antecedents and development of entrepreneurial firms in this context. Small and medium-sized firms generally have fewer resources and competencies compared to their larger counterparts (Mazzarol and Reboud, 2009). In general they also possess less human capital and scarcer economic and political power (Pfeffer and Salancik, 2003). This base of human capital and critical knowledge may be at great risk when critical staff leaves the firm and underlines a need for a proper succession planning (Durst et al., 2014). Thus, small firms need to be more aware and flexible than large firms in their use of the resources and competencies which are critical to their long-term viability and health (Mazzarol and Reboud, 2009). To develop competitive advantage, small firms require well-established and capable
governance systems (Warren, 2003) that can expand their competencies and experience when developing, reviewing and revising their long-term and strategic plans (Brunninge et al., 2007, Minichilli and Hansen, 2007). Effective boards develop effective relations with important stakeholders around the firm and thus create important prerequisites for value creation in the entrepreneurial firm (Borch and Huse, 1993, Huse and Zattoni, 2008).

A growing number of scholars are studying the role and effects of boards of directors on strategy development and the encouragement of innovation and value creation in SMEs (Neville, 2011, Gabrielsson, 2007a, Brunninge et al., 2007). Strategy development in this stream of research is mainly understood as the adoption of an entrepreneurial strategic posture, implying a strong risk-taking propensity, an extensive commitment to technological and product innovation and a proactive competitive orientation (Covin and Slevin, 1991, Gabrielsson, 2007a, Zahra and Covin, 1995). Boards of directors are seen as an important governance mechanism and in this respect they can influence the performance of the firm (Neville, 2011). Hence, there appears to be general consensus on the outcomes of an effective board of directors on setting the strategic direction of the firm and thereby contributing to the firm’s long-term development and value creation (Fiegener, 2005, Knockaert et al., 2015, Huse, 2000).

Boards of directors constitute a key component of effective governance (Huse, 2000), particularly in small entrepreneurial firms engaged in innovation (Zahra et al., 2000). Board members can in this respect be an influential strategic resource because they contribute important business networks, specialized know-how and timely information to firms’ strategic decision-making processes (Gabrielsson et al., 2007, Machold et al., 2011). Moreover, board members in SMEs are typically charged with supervising the overall development of the organization (Bennett and Robson, 2004), managing relationships with key stakeholders (Huse, 1998, Borch and Huse, 1993) and acting as the CEO’s sparring partner in setting strategic directions (Fiegener, 2005, Knockaert et al., 2015).

However, developing boards of directors in SMEs can be a particularly challenging task. Surveys of board members in small firms (Fiegener et al., 2000, Gabrielsson, 2007b) indicate that boards in such firms typically consist of owner-managers and family members. Board members might therefore have similar backgrounds and networks with overlapping human and social capital. When SMEs recruit additional board members, very often these people are the firm’s lawyer and/or close friends and business associates of the CEO (Johannisson and Huse, 2000). There may also exist a patriarchal power structure when board members are linked to the firm by family ties or friendship, which implies that the board can be influenced by
‘group think’ (Nordqvist and Melin, 2002). Overall, this might result in the lack of the power and integrity needed to engage in the strategic direction of firms, thereby contributing to SMEs’ long-term development and value creation.

SMEs that seek to empower their boards of directors often recruit an external board member as the board chairperson (Nordqvist and Melin, 2002, Huse and Zattoni, 2008). The chairperson has the same voting rights as any other board member, but also additional responsibilities (Cadbury, 2002). These responsibilities usually include scheduling board meetings, developing a board culture that encourages participation and supports decision making, and overseeing board processes (Kakabadse, 2006, Furr and Furr, 2005). The chairperson is also expected to run board meetings in a manner that permits discussions aimed at ensuring strategic and policy decisions consistent with owner directives and company goals and bylaws (Leblanc, 2005, Parker, 1990).

Board chairpersons must, however, rely on their personal experience and leadership qualities in order to turn a group of people into an interacting and collective team. A firm’s chairperson has no formal authority over other board members (Gabrielsson et al., 2007) but he or she is generally considered the first among equals. The chairperson must in this respect take an active role as the board’s leader to unlock the potential of the board and its team members (Parker, 1990, Cascio, 2004). Entrepreneurial firms in particular require competent and dynamic chairpersons who can facilitate board leadership and drive the organization forwards (Huse and Gabrielsson, 2012), yet we know little about the actual work of chairpersons in entrepreneurial firms because of a lack of scholarly research and limited empirical data about this particular context. Hence we need deeper theoretical insights about chairpersons’ work in entrepreneurial firms (Brunninge et al., 2007, Gabrielsson, 2003, Gabrielsson and Huse, 2005, Huse, 2000, Daily et al., 2003).

Theoretical problem

The empirical context of SMEs differs significantly from large corporations, which has important implications for the extent to which it is possible to use and apply existing theories to understand the role and effects of boards of directors on strategy development and the encouragement of innovation and value creation in SMEs. Much research on corporate governance is concerned with large public corporations, where there is a separation and distance between ownership and management (Gabrielsson and Huse, 2004c). This research emphasizes independent corporate governance structures as
essential for providing managers with incentives to act in the interests of the owners rather than in their own self-interest (Zahra et al., 2000). SMEs, however, are often characterized by a close relationship between owners and managers; in many cases, these two positions are filled by the same individuals. In this situation, independent corporate governance structures are less critical than among corporations with dispersed ownership and professional management teams that run the company (Jensen and Meckling, 1976a). There are thus several theoretical and methodological reasons to call for further scholarly investigations of board leadership and how chairpersons promote strategy and innovation in entrepreneurial firms. There are at least three considerations in the research essential to developing our understanding of board leadership in SMEs.

First, research on boards and board leadership follows the example of mainstream corporate governance research, which is mainly grounded in agency theory (Fama and Jensen, 1983). This theoretical perspective proposes the independence of the board from executive managers, and in particular the CEO, as the primary safeguard to ensure effective boards and board leadership (Daily et al., 2003, Huse and Gabrielsson, 2012, Illoong, 2009). The perspective focuses on the controlling aspects of board leadership in order to protect and distribute value to (often distant) shareholders. This stream of research has often focused on CEO-duality on the board, that is, the situation when the same individual holds both the CEO and the board chairperson positions in a firm (Daily and Dalton, 1993).

While conceptions of agency theory have provided important insights into the drivers of board effectiveness in large publicly held corporations, the results and findings have limited relevance for an analysis of boards of directors and chairpersonship in SMEs (Huse, 2000). CEO-duality is in this respect not a universal issue but a question mostly pertinent to large publicly held firms operating in the Anglo-American corporate context. Thus, discussions of CEO-duality reflect the corporate governance situation existing in large firms with dispersed ownership (Huse, 2005b, Huse and Gabrielsson, 2012), while most firms around the globe are SMEs owned and run by a few owner-managers (ACCA, 2010). In most SMEs the board members are often owner-managers who work alongside family members and other business associates (Nordqvist and Melin, 2002, Johannisson and Huse, 2000). Hence, there seems to be a need to extend the agency theoretical perspective by using alternative theories to complement the extant research on boards and board leadership with new perspectives (Huse and Gabrielsson, 2012) to better understand the effects of board leadership in entrepreneurial SMEs.
Second, an understanding of the drivers of board effectiveness requires awareness of the behavioural dynamics of the boardroom. This is rarely addressed in the general theories and models on board leadership that have been developed in previous research (Huse and Gabrielsson, 2012). Due to the dominant emphasis on agency theory in research on board leadership, studies have largely ignored the chairperson’s actual work, which has been substituted for by the structural aspects of board leadership (Huse, 2000, Huse and Gabrielsson, 2012). The key to effective board work lies in the behavioural dynamics of board interactions and in developing working relationships between boards and managers (Nadler, 2004). Boards are social systems whose effectiveness is determined by knowledge sharing and interactions among the directors and managers (Forbes and Milliken, 1999, Leblanc, 2005). Board leadership is therefore about designing effective interactions in boardrooms embedded in effective leadership behaviours (Machold et al., 2011). There is hence ample need for more theoretical insights into board leadership and chairpersons’ tasks and behaviours to understand board processes and leadership that can influence value creation and innovation in entrepreneurial firms (Huse, 2000, Daily et al., 2003).

Third, from a methodological perspective, the main body of research on board leadership has used archival data on large public Anglo-American corporations and relied on quantitative methods to analyse the data (Daily et al., 2003, Daily et al., 2002). This tradition is, however, driven by the “Lamp” and “Hammer” syndromes that have dominated most of board and governance research in recent years (Huse, 2005a, Huse et al., 2011a). The “Lamp” syndrome refers to the research being conducted where data are easily available. The Hammer syndrome refers to the fact that board research studies are usually using the same statistical methods, often testing hypotheses based on figures on large public firms used as proxies for board performance. The Lamp and Hammer syndromes lead to the collection of identical measures whatever theory is being tested and the results have little relevance for practitioners, especially in the context of SMEs (Huse, 1998). There has in this respect been a call for more process-oriented data on small and medium-sized enterprises to enhance our understanding of the effects of chairpersonship on the boards of SMEs (Daily et al., 2003, Huse, 2000, Huse and Gabrielsson, 2012).

To conclude, this dissertation takes a value creation perspective on board leadership. Further, it calls for a better understanding of the behavioural aspects of board leadership in the context of SMEs. Departing from the discussion above, the dissertation will address the need to develop theoretical knowledge about the actual work of board chairpersons in SMEs. Further, this dissertation addresses the knowledge gap in current research on
how chairpersons promote strategy and innovation in entrepreneurial firms. This work examines new contexts in the research on board leadership and contributes to the development of theory about entrepreneurial firms and their governance, as well as to the practical development of boards in entrepreneurial firms.

Purpose of the study

Based on the discussion above, the overall theoretical problem motivating this dissertation is the need to advance our theoretical knowledge of how chairperson leadership promotes strategy and innovation in entrepreneurial firms. The focus rests on processes and the behavioural perspective of board leadership. This is not to be mistaken with an input–output perspective, which would relate various (structural) aspects of board leadership to firm performance. Instead, I recognize the need to develop concepts that provide a better understanding about chairpersons’ tasks, activities and conduct while also examining chairperson leadership in the development of processes contributing to value creation by promoting innovation in entrepreneurial firms.

Based on the above, the overall purpose of the dissertation is to enhance our understanding of chairperson leadership and its contribution to value creation via innovation in entrepreneurial firms.

Based on this overall purpose, there will be five specific research questions guiding this study. First, there is a need to learn about the state of the art of board leadership research to be able to build on and extend the current scholarly knowledge in the field. Despite the rich body of research currently available, it is difficult to find a comprehensive overview of the research on board leadership. While existing studies individually offer theoretical and empirical insights on the issue, the accumulation of knowledge in the aggregate in the existing literature is fairly limited. There is a need to accumulate and analyse previous scholarly findings to build an overall understanding of the developments and trends in the research field of board leadership. My first question to approach in this dissertation is thus formulated as follows:  

I What are the developments and trends in research on board leadership?

Second, prior research on board leadership engages itself mainly in structural aspects of board leadership and the so-called “usual suspects” (Finkelstein and Mooney, 2003). However, the value-creating contributions

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2 The number of outsiders on boards, director shareholdings, board size and whether the CEO also holds the chairperson position (CEO-duality)
of boards in firms can be understood via different sets of board tasks (Huse, 2005a). We need thus to learn more about what the chairpersons of boards of directors actually do in entrepreneurial firms and what tasks they engage in. The actual tasks and conduct of the chairpersons need to be identified and discussed through empirical studies to form a basis for developing the concepts that help us to enhance our understanding of chairperson leadership (Huse, 2005b, Daily et al., 2003). Hence, my second research question along these lines is formulated as follows:

II  *What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?*

Third, there is a need to identify the key concepts of board leadership in nurturing firms’ entrepreneurial strategic posture and the promotion of innovation in firms. Boards are social systems and decision-making teams with highly complex issues on their agenda. Board leadership is hence an important aspect of boards’ work and aims to align the efforts of all board members towards value creation in the firm. Chairperson leadership is therefore a central mechanism for bringing out boards’ value creating potential (Gabrielsson et al., 2007, Machold et al., 2011). Not even the leading board leadership research offers a coherent conceptual model of board leadership in entrepreneurial firms. We need thus to learn about the core concepts that are crucial for boards to act proactively and create a conceptual model of board leadership in SMEs to extend the contemporary scholarly knowledge to this new context. The third research question guiding this study is formulated as follows:

III  *What are the key concepts of board leadership for the promotion of innovation in entrepreneurial firms?*

Prior research on boards of directors recognizes boards’ involvement in strategy as a core contribution to firms’ value creation processes (Demb and Neubauer, 1992, Judge Jr and Zeithaml, 1992, Machold et al., 2011). However, with very few exceptions (e.g. Gabrielsson et al., 2007; Machold et al., 2011), this research does not elaborate on the effect of chairpersons on strategy development in SMEs. Hence, there is a need to examine how chairpersons’ leadership and qualifications affect boards’ involvement in the development of strategies in SMEs to develop our understanding of value-creation processes in firms. My fourth research question is accordingly put into words as follows:

IV  *How do chairpersons’ leadership and qualifications influence boards’ strategy involvement in SMEs?*
Finally, to enhance our understanding of chairperson leadership’s contribution to value creation in firms through innovation we need to learn more about the effect of chairpersons’ leadership on the development of strategic posture in firms. The fifth and last research question of this dissertation aims to create further opportunities in the development of entrepreneurial firms by developing board leadership in SMEs. The last research question is therefore framed as follows:

**V. How does chairpersons’ leadership influence the entrepreneurial strategic posture of SMEs?**

By answering the above-mentioned research questions, this dissertation will enhance our understanding of chairperson leadership and its contribution to value creation through innovation in entrepreneurial firms; by doing so, it will contribute to theory and practice in the field of governance and board leadership in SMEs.

General outline of the study

This dissertation is organized as a compilation thesis comprising five articles in addition to this introductory chapter (kappa). The introductory chapter includes an introduction of the dissertation, theoretical perspectives on innovation and boards of directors, the research process and the methodological choices in this dissertation, as well as a summary of the papers included in the dissertation. The chapter will conclude with conclusions and suggestions for future research.

Three of the five articles included in the dissertation are papers based on empirical studies. In two of these studies I develop concepts of board leadership and the third empirical study aims to test a few theoretically derived concepts and constructs. The first conducted study in my research process is, however, a literature review on board leadership to clarify the state of the art of board leadership research. The fifth and concluding study, a conceptual paper, builds on and extends the findings in the four aforementioned studies of this dissertation. An illustrative presentation of the five papers and their main research questions, as well as the main purpose and connection of each study to the dissertation as whole, is presented in Figure 1.

These five studies are designed to meet the specific research questions and the overall purpose of the dissertation. Each article will be presented as a chapter in the dissertation following the final conclusions in the introductory chapter. The conclusions and contributions of the dissertation are discussed and presented in the concluding section of the introductory chapter,
together with suggestions for future research and reflection about the limitations of the study.

Figure 1: The five papers included in this dissertation and their specific research question, as well as the overall purpose of the paper.

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<th>Research papers</th>
<th>Specific research questions</th>
<th>Overall purpose</th>
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<tbody>
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<td>I What are the developments and trends in research on board leadership?</td>
<td>Accumulating knowledge on board leadership based on extant research to build on and enhance further insights as well as identifying knowledge gaps.</td>
</tr>
<tr>
<td>Developments and trends in research on board leadership: a systematic literature review</td>
<td>II What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?</td>
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<tr>
<td><strong>Paper II</strong></td>
<td></td>
<td>Generating new concepts and vocabularies that enhance our understanding of innovation-driven board leadership and the actual work of the chairperson towards firm innovativeness in entrepreneurial firms.</td>
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<tr>
<td>What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?</td>
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<tr>
<td><strong>Paper III</strong></td>
<td>III What are the key concepts of board leadership for the promotion of innovation in entrepreneurial firms?</td>
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<td>Corporate governance and innovation in small entrepreneurial firms: the board chairperson’s role</td>
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Frame of reference

In this section of the thesis, the main concepts of this dissertation will be defined and positioned by reviewing extant research relevant to this introductory section and the five studies included in this dissertation. However, each individual study is presented by an article in the dissertation, where I will elaborate relevant theoretical reasoning further. This section thus aims to give the overall theoretical perspectives underpinning the dissertation.

Entrepreneurial firms

Small and medium-sized enterprises\(^3\) (SMEs) face new and challenging environments in the twenty-first century. The integrated European market, digitalization and globalization have led to a much fiercer international competition for SMEs, which must compete in the same arena as large firms and foreign firms with different institutional and resource structures. These challenges have led scholars to increasingly emphasize entrepreneurship as a strategy to renew and revitalize SMEs (Covin and Slevin, 1991, Gabrielsson, 2007a, Wiklund and Shepherd, 2003, Zahra and Covin, 1995).

In this debate, entrepreneurship is referred to as a set of actions and behaviours within an established firm, rather than an entrepreneurship definition that mainly focuses on the attributes of entrepreneurial individuals or independent start-ups. In one of the most widely cited descriptions used by scholars, Miller (1983) depicts an entrepreneurial firm as “one that is engaged in product-market innovation, undertaking somewhat risky ventures, and is first with proactive innovations, beating competitors to the punch”, while “a non-entrepreneurial firm is one that innovates very little, is highly risk averse, and imitates the moves of competitors instead of leading the way” (Miller, 1983). Later, Covin and Slevin (1991) develop the three core dimensions of Miller’s firm entrepreneurship construct (innovation, risk-taking and proactiveness) into a model of entrepreneurship as firm behaviour. In the remainder of this thesis, I argue that proactiveness is a prerequisite behaviour for innovative activities and thus engagement in the creation or adoption of innovations. By the same token, risk-taking is by definition a necessary part of any innovation process (Belloc, 2012, Francis and Smith, 1995). Thus, I contend that the most characteristic feature of an entrepreneurial firm is its commitment to value creation by engaging in innovation.

\(^3\) The definition of SMEs in this dissertation is based on the EU definition of firms (EC, May 2003) and includes firms with 50–250 employees, a turnover between 10 million and 50 million Euros or a total balance sheet between 10 million and 43 million Euros.
The definition above implies that entrepreneurship is conceptualized as a matter of degree and that SMEs can be considered to be more or less entrepreneurial depending on their overall competitive orientation and their strategic posture, which guides the firm in its operations (Covin and Slevin, 1989). Scholars have pinpointed a range of features that might influence the capacity of SMEs to engage in innovation. On the one hand, SMEs are characterized by inherent constraints with respect to in-house resources and capabilities. Their size disadvantages, or so-called “liabilities of smallness”, create difficulties in securing financial capital and staff (Winborg and Landstrom, 2001). As consequence, SMEs suffer from the inability to capture economies of scale and to gain bargaining power with key stakeholders (Strotmann, 2007) and they are notoriously vulnerable to the changes in their environment (Blake and Saleh, 1992).

On the other hand, SMEs are also generally characterized by flat management structures and an organic organizational structure with multiple informal networks to coordinate flows of capital, labour and information (Miller, 1990, Mintzberg, 1979). This structural positioning makes them more able to respond quickly to opportunities (Wiklund and Shepherd, 2003) and to act more entrepreneurially towards opportunities and threats. It has been observed, for example, that CEOs and directors are less constrained by organizational systems and structures in smaller firms and they may have far more discretion than their larger counterparts (Daily and Dalton, 1992b, Daily and Dalton, 1993, Finkelstein and Hambrick, 1990).

Overall, the organizational features of SMEs make them particularly apt to meet competitive challenges by taking an entrepreneurial posture, implying a strong commitment to innovation and a proactive competitive orientation (Covin and Slevin, 1991, Zahra and Covin, 1995). On the other hand, the failure to respond to changing environments with an entrepreneurial strategic posture will result in their being squeezed out of the market by more innovative firms (Spicer and Sadler-Smith, 2006).

Innovation in firms

Contemporary research offers varied definitions of innovation (Baregheh et al., 2009). These definitions reflect different disciplines and diverse perspectives on innovation (Damanpour and Schneider, 2006). Looking back to the early scholarly work on innovation will take us to the definition proposed by Schumpeter (1934), which has also influenced many current definitions of innovation. Schumpeter argues that innovation is distinguished from invention because the latter does not imply any commercial relevance or value in itself. An innovation on the other hand is found in a commercial
sphere (Sjöö, 2014). This also implies the existence of firms – as carriers of innovation activities and units of resource allocation and commercialization of innovations – thus represents an important aspect of research on innovation. In addition to this commercial dimension, Schumpeter defines innovation as “the carrying out of new combinations” (Schumpeter 1934, p. 65). Considering the question of novelty, the combination might be novel without each individual component necessarily being novel (Schumpeter, 1934).

A more recent definition of innovation that is based on and well integrated with Schumpeter’s definition is offered by the Oslo Manual’s guidelines for collecting and interpreting data on innovation (OECD and Eurostat, 2005): “An innovation is the implementation (commercialization) of a new or significantly improved product (good or service), or process, or a new marketing method, or a new organizational method in business practices, workplace organization or external relations” (OECD, 2005, p. 31). Four types of innovation are clearly stated in this definition: products (goods or services), processes, marketing methods and organizational innovations.

Besides innovation type, another key ingredient has often been included in discussions about innovation on the research agenda, namely the novelty aspect of innovations. Rogers (2003) offers an interesting definition of innovation as “an idea, practice, or project that is perceived as new by an individual or other unit of adoption” (Rogers, 2003, p. 12). Consequently, an innovation may have been invented a substantial time ago, but if an individual or an organization perceive it as novel in relation to its current conduct then it might still be an innovation to the organization (Rogers, 2003).

In line with Rogers’s argument, and inspired by other innovation scholars with a firm and organizational perspective on innovation (Damanpour and Evan, 1984, Damanpour and Gopalakrishnan, 2001, Damanpour and Wischnevsky, 2006), in this work I define innovation as the generation and/or adoption of an idea or behaviour, pertaining to a product, service, device, system, policy or programme, which is new to the adopting organization. The novelty aspect of innovation is thus related to the unit of analysis and not to a local, industry or global perspective.

Extant research on innovation in organizations has studied the determinants (Germain, 1996, Nystrom et al., 2002), processes (Zmud, 1982) and consequences of innovation. Some studies have differentiated between product and process innovations (Utterback and Abernathy, 1975, Damanpour and Gopalakrishnan, 2001), radical and incremental innovations (Germain, 1996) and technical and administrative innovations (Subramanian and Nilakanta, 1996). That said, reviews of research on innovation in organizations repeatedly suggest that the research results are contradictory (Damanpour and Wischnevsky, 2006), and perhaps the most consistent re-
result from innovation studies is that the results are inconsistent (Wolfe, 1994).

The focus of this dissertation is how organizations may develop to better adopt or generate an idea or behaviour, pertaining to a product, service, device, system, policy or programme, which is new to them. A focus on innovation type wouldn’t give us an understanding of significant differences between organizations or an understanding of innovation behaviour in organizations (Damanpour et al., 1999). It is instead the role of organizational leaders, as these are the individuals responsible for the creation of goods and services and the leveraging of market opportunities (Daily et al., 2002), that will explain the path to the development of entrepreneurial firms and their innovation capabilities.

The focus of entrepreneurial firms in this dissertation refers to their propensity to adopt and/or generate innovations. Innovation can in this respect be understood from a broader value creation perspective (Huse, 2007), in which CEOs and board members at the upper echelons of the entrepreneurial firm make strategic choices aimed at increasing the value of goods and services offered on the market. Value is created in the firm through the collection of discrete but interrelated economic activities, where tangible and intangible resources are combined and recombined into outputs and outcomes (see, for example, Barney, 1991). Board members may in this respect contribute to innovation by integrating the governance system of the firm with the chain of interrelated activities that create and add unique value in the firm (Gabrielson et al., 2016). Delineating and specifying these linkages is thus a critical issue for developing our theoretical understanding of the value-creating potential of boards of directors, which will continue in the next section.

**Perspectives on value-creating boards**

In this section I will discuss internal and external perspectives on firms with respect to the value-creating potential of boards of directors. The ultimate questions to advance are how boards can contribute to firm innovation, and what the main purpose is of boards and governance systems in firms.

Corporate governance can be seen as a struggle between ideologies and perspectives (Huse, 2007). In this dissertation I prefer to use the term “governance” and define it as the interactions between internal actors, external actors and board members in directing a firm towards value creation. Boards of directors are major elements of the governance structure of firms (Hill and Snell, 1988, Huse, 2007).
Nevertheless, diverse perspectives exist and affect the formation of the governance system and the tasks and activities of the board of directors in this context. Huse and Gabrielsson (2012) present a frame of perspectives along two dimensions: whether boards have a firm internal or a firm external perspective and whether they have a unitary or balancing perspective. These distinct perspectives are illustrated in Table 1 below.

Table 1: Perspectives on value-creating boards

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<th>Firm internal perspective</th>
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Managerial perspective

The dominating perspective on research on corporate governance and boards of directors has been changing over the past decades (Clarke, 2004, Huse and Gabrielsson, 2012).

During the 1970s and early 1980s a managerial hegemony perspective prevailed in the debate on corporate governance (Herman, 1982, Wolfson, 1984, Mace, 1971). As Mace (1971) concluded, many boards were purely ornamental “rubber stamps” on the corporate Christmas tree.

This view took a unitary firm internal perspective and favoured value creation for management. Boards of directors were thus mainly serving the management to achieve their own welfare rather than organization-wide corporate goals and objectives (Huse and Gabrielsson, 2012). A shift in perspective from firm internal to firm external followed as a reaction to the managerial hegemony view in the late 1980s (Monks and Minow, 2011).

This shift in view, from firm internal to firm external perspective, resulted in the development of two new perspectives, which have since dominated the debate on corporate governance research. These are the shareholder and stakeholder approaches to corporate governance and boards of directors.

Shareholder perspective

Emanating from the investor and financial perspectives, the shareholder view stays within the unitary perspective in the frame of this dissertation as presented above. This view is primarily supported by agency theory (Fama and Jensen, 1983, Jensen and Meckling, 1976b) and argues that boards of directors exist primarily to protect shareholder value. In this vein, the independence of board members from management is advanced as a safeguard for shareholders to be protected from self-interested agents (i.e. management).
Advocates of this perspective argue that what enhances firm performance, in general, is shareholder control over management’s decisions and strategies, and overseeing that decisions are made in accordance with the shareholders’ will. This so-called principal–agent view of the firm deals with bilateral relations, typically between a “principal”, who wants to exploit an opportunity but needs other parties’ involvement; these parties will be hired by the principal as an “agent” to perform the deeds. In this view, the firm is conceptualized as a nexus of contracts (Blair and Stout, 2006). This implies certain kind of problems, such as the risk of incomplete contracts between the principal and the self-interested agents.

Further, from this shareholder primacy perspective it is assumed that the shareholders are the rightful residual claimants in the firm since they are the only economic actors that invest their resources in the firm without a guaranteed return. All other “agents” are hired by the principals (shareholders) and paid to perform a contracted task. Hence, from this perspective, there are no specific investments by non-shareholders and shareholders’ investments are proposed as the lone central source of productive activities (Bello, 2012).

Agency theory has been the paradigmatic theory in corporate governance research affirming the shareholder primacy perspective (Fama, 1980, Fama and Jensen, 1983). From its roots in information economics, agency theory has developed along two lines: positivist and principal–agent (Jensen, 1983). These two streams share a common unit of analysis: the contract between the principal and the agent. They also share common assumptions about people, organizations and information.

Positivist researchers have focused on identifying situations in which the principal and agents are likely to have conflicting goals and then describing the governance mechanisms that limit the agent’s self-serving behaviour (Eisenhardt, 1989a). Their focus, hence, is almost exclusively on the special case of the principal–agent relationship between owners and managers of large public corporations. One particularly relevant system for monitoring executive behaviours in this context is the board of directors. From an agency perspective, boards can be used as monitoring devices for shareholder interests (Fama and Jensen, 1983).

From a theoretical viewpoint, thus, the positivist stream has been most concerned with describing the governance mechanisms that hamper the agency problem. Jensen (1983, p. 326) described this interest as “why certain contractual relations arise”. Two propositions illuminate the governance mechanisms which are identified in this stream. The first is that outcome-based contracts are effective in curbing agent opportunism. The argument is that such contracts co-align the preferences of agents with those
of the principal because the rewards for both depend on the same actions and, therefore, the conflicts of self-interest between principal and agent are reduced. For example, Jensen and Meckling (1976) described how increasing the managers’ ownership of the firm decreases managerial opportunism.

The second proposition is that effective information management also controls agent opportunism. The argument here is that, if the principal is informed about what the agent is actually doing, it will curb agent opportunism because the agent will realize that he or she cannot deceive the principal. For example, Fama (1980) described the information effects of efficient capital and labour markets on managerial opportunism, and Fama and Jensen (1983) described the information role that boards of directors play in controlling managerial behaviour.

Despite agency theory being regarded as enriching economics by offering a more complex view of organizations (Jensen, 1983), and for decades being the dominant theoretical lens for examining corporate governance, an increasing amount of research reports views critical to agency theory and proposes alternative theoretical perspectives in the research on governance (Elsayed, 2010, Pye and Pettigrew, 2005, Roberts et al., 2005, Huse, 2005b, Daily et al., 2003).

**Stakeholder perspective**

The paradigmatic and prevailing role of shareholder supremacy in corporate governance research results in a reaction and consequently an increasing attention to stakeholder approaches by the governance researcher (Huse and Rindova, 2001, Sacconi, 2007). The stakeholder approach argues that there is no set of interests in a firm that should routinely have priority over other interests, and that the survival and development of a firm builds on the ability of the firm to create value for all of its stakeholders (Donaldson and Preston, 1995, Jawahar and McLaughlin, 2001).

While shareholder primacy conceives of the firm as a shareholder-maximizing enterprise and of directors and managers as shareholders’ agents with the board of directors as the vigilant representatives of the shareholders, the stakeholder view sees the board of directors as accountable to a broad set of stakeholders, while the board must continually assess which of these are the most important for the development of the firm.

The stakeholder approach visualizes the firm as an inclusive community of stakeholders. These stakeholders contribute to the firm with their firm-specific resources (Blair, 1995). In this view, the shareholders’ investment, including physical assets and monetary resources, are perceived as important to the firm, in the same way as the human capital brought to the firm by managers and rank-and-file employees. In this regard, the shareholders’
investments are no more important than other stakeholders' investments, but they are one critical investment among others in developing the firm’s value-creating potential. Furthermore, from an innovation-promoting perspective the firm-specific human assets might be more important than the physical capital in generating innovations due to their specificity to the firm (Belloc, 2012). From this perspective, both shareholders and employees with firm-specific skills have a “stake” at risk in the firm. An effort to promote innovation in the entrepreneurial firm should thus consider equally the importance of all firm-specific investments in the firm. The governance role in this context is a tough-to-identify mechanism for creating incentives for all stakeholders to increase the levels of their investment in firm-specific resources to contribute to innovation and the development of the firm’s competitive advantage (Belloc, 2012, Drucker, 1998).

Within the stakeholders approach, different interpretations have been suggested to tackle such a task; the endogenous allocation of property rights between financier and creator (Rajan and Zingales, 1998), the allocation of property rights to a third-party financier (Aghion and Tirole, 1994) and the allocation of property rights to the firm itself as an autonomous legal entity (Blair and Stout, 1999) are suggested as main streams in this regard.

To reduce hold-up cost and keep all stakeholders engaged in the innovation process in an incomplete contract framework (G. Klein and G. Klein, 2015), Aghion and Tirole (1994) suggest a theoretical model where a customer finances and commercializes an innovation in collaboration with a research unit. However, this will only reduce hold-up cost and sustain innovation if capital inputs are substantial relative to intellectual inputs, if the customer has more bargaining power ex ante or if the customer is willing to pay substantial rent (and possesses the monetary resources to do so). Otherwise, it might be a better solution to give all property rights to the research unit and to demand co-financing from a third-party investor, as argued by Aghion and Tirole (1994).

Rajan and Zingales (1998) demonstrate in their analysis that the ownership of all means of production by one party among two or several parties will not create the optimal investment decision scenario for any other party than the owner. Further, Rajan and Zingales (1998) argue that the fact that one of the involved stakeholders might own the production assets could be a

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4 Incomplete contracts are contracts that do not specify actions and payments for all possible contingencies. All but the simplest contracts are unavoidably incomplete, containing “gaps” that must be filled by negotiation, convention or formal dispute resolution procedures such as courts and arbitration. For this reason, firms cannot always rely on written agreements to protect relationship-specific investments.
risk for further investments of the party itself in the innovation and production process. They then suggest that by letting a passive third-party owner, with no other investment in the production process, control the use of assets, and in so doing eliminate the hold-up risk among other investors, optimal investment decisions for all parties can be achieved. The third-party owners’ generic input in the team with no critical specialization makes the optional investments more probable. In this interpretation, the passive outside shareholders are, as Rajan and Zingales (1998) suggest, just third-party owners.

However, the assumption that outside shareholders will not use their power and control over the assets in production to seek undue rent at the expense of other stakeholders has been argued to be implausible (Blair and Stout, 1999).

Concluding this review of the stakeholder perspective, it is noted that both shareholder and stakeholder approaches have an interest in and focus on how the firm is there for external actors to the firm and pay more attention to the distribution of value than the creation of value in the firm. In contemporary debates on boards and governance, the firm internal perspective has received limited attention. I will now discuss and elaborate on this firm internal focus on firm governance.

Firm perspective

While the debate on corporate governance and boards of directors has had limited attention on the firm internal perspective of boards’ work and responsibilities, we will find this focus in much of the strategic management literature on boards of directors (Huse and Gabrielsson, 2012). Some examples are the resource dependency theory (Hillman et al., 2000, Pfeffer and Salancik, 2003) and the resource-based view of the firm (Zahra and Filatotchev, 2004).

However, these theories do not explicitly discuss the role and inner workings of boards of directors or their decision-making activities. Boards of directors are seen instead as resources themselves or as resource providers for the firm and its managers as anticipated and in line with the managerial hegemony perspective.

An alternative theory, based on the stakeholder perspective and embedded in a framework of economic analysis where the firm itself as a legal entity separated from investor acts as the repository of all property rights over the assets in production, was developed by Blair and Stout (1999, 2006). From this so-called team production perspective, the firm production is a team production in which investors and owners put up money and workers and managers invest their human capital and skills in the firm. In order to keep the firm’s productivity and success up, resources should be
locked into the firm and none of the stakeholders should be able to withdraw their contributions from the firm. In this view, the directors are “mediating hierarchs” who protect firm-specific investments and have all stakeholders engaged and motivated to keep investing their specific resources into the firm’s production activities. The board of directors in this perspective, as an important part of the governance system, is not a residual claimant in itself. However, it vouches for incentives for all stakeholders to keep their investment in the firm in order to assure the continuation of the board position of its members. Consequently, board members have no incentives to act opportunistically against the stakeholders in the firm, while they certainly have some incentives to keep their investments locked into the firm. This lock-in function will promote value creation in the firm (Blair and Stout, 2006).

A core principle of the team production approach to firm governance is the perception of the firm as a nexus of team-specific assets. Firms’ stakeholders invest their firm-specific resources with the expectation of profiting from team production. Firms then will build bundles of resources based on stakeholders’ firm-specific investments that are valuable, rare, inimitable and non-substitutable (i.e. so-called VRIN attributes) and they can achieve sustainable competitive advantage by implementing strategies that cannot be easily duplicated by other firms (Eisenhardt and Martin, 2000, Barney, 1991). Such firm-specific investments are essential to the firm’s ability to build VRIN resources and thus its ability to develop competitive advantage (Wang and Barney, 2006). The team production approach defines the role of the board of directors as acting to secure that continued firm-specific investments take place by all critical stakeholders in the firm in order to build a strong resource base and create sustained competitive advantage in the firm (Blair and Stout, 2006).

Boards’ value creation by innovation

Firm innovativeness is increasingly important for firms’ competitiveness and survival and may be enhanced by strategic involvement on the part of the board of directors (Zahra et al., 2000, Andrews, 1980, Rindova, 1999, Zahra, 1990). While the creation of an effective corporate governance system has been given greater attention in large firms (Monks and Minow, 1996), in this study it is recognized that effective governance procedures may add critical value to firm development in SMEs as well (Dalton et al., 1998, Daily and Dalton, 1992b). These firms are exposed to several central disadvantages to their larger counterparts including, among others, liability of smallness (Strotmann, 2007), lack of extensive managerial experience
(Bruninge et al., 2007) and resource dependency (Zahra and Pearce, 1989). By utilizing proper governance systems in such firms, in terms of procedures, size and quality of the membership of the board of directors, as well as the application of incentive systems, innovation projects should have a greater chance of achieving their anticipated results (Markman et al., 2001).

I would like here to recall my definition of innovation as the generation and/or adoption of an idea or behaviour, pertaining to a product, service, device, system, policy or programme, which is new to the adopting organization (Damanpour and Evan, 1984, Damanpour and Gopalakrishnan, 2001, Damanpour and Wischnevsky, 2006). This implies that innovation might be the development or adoption of an original product, process, market, managerial strategy or new organizational reform, through the utilization of productive resources and the embodiment of, combination or synthesis of knowledge in an organization. Hence, innovations are generated through a collaborative and cumulative process of learning that usually requires the commitment of resources for an extended period of time. This process is mainly characterized by three elements: (a) specificity of investments; (b) uncertainty about the result; and (c) the impossibility of anticipating future returns (Belloc, 2012).

These three features imply and amplify difficulties in creating complete contracts that may specify the residual shares of all participants in the process of the project in every possible state of the world. Individuals and organizations that choose to engage in innovation processes are simply not able to anticipate all possible contingencies, as the result of the innovation process is impossible to anticipate. It is in this context that scholars have been discussing the occurrence of incomplete contracts and different means of managing risk for so-called hold-up problems and shirking by different participating parties in the process (Blair and Stout, 1999).

From an innovation perspective, a need for specific investments in the innovation processes is anticipated and firm-specific knowledge is assumed to be a critical resource as well as a source of ability to learn and generate new knowledge (O'Sullivan, 2000). When no investments other than money from shareholders are perceived to be firm-specific investments as proposed by agency theory, it seems fair to note that the shareholder perspective precludes an analysis of how firms might generate new knowledge a priori (Lazonick, 2003).

Further, agency theory as the main sponsor of the shareholder perspective seems to particularly fail to address the context pertinent to small and medium-sized entrepreneurial firms, for which the governance system differs significantly from large and public companies (Forbes, 1998, Whisler, 1988). The agency theory rationale for governance of the modern organiza-
tion is based on control by two broad sets of efforts: external control through the market for corporate control and an internal control mechanism through the board of directors (Roberts et al., 2005). These seem to limit board efficiency in relation to the three elements of the innovation process: specificity of the investments, uncertainty about the result and the impossibility of anticipating future returns (Bello, 2012). In light of these critiques of agency theory, a theoretical pluralism has been suggested rather than the substitution of one dominant theory by another (Roberts et al., 2005). Hence, although agency theory has been important for studies on corporate governance, additional perspectives are argued to better capture the complexity of corporate governance and the work of boards of directors as a phenomenon in some contexts than the shareholder perspective permits (Eisenhardt, 1989a).

The stakeholder perspective is often presented and used as a political and ideological position, rather than as an economic theory of governance (O’Sullivan, 2000). An important exception is the work by Margaret Blair (1995), who argues that the physical assets in which shareholders invest are not the only assets that create value in the firm. Later, in their seminal work, Blair and Stout (1999) develop the team production theory, which rests on the observation that shareholders are not the only group that can provide specialized input into firm production.

Team production theory presents a promising perspective regarding the governance function of the board of directors when discussing innovation in the context of small and medium-sized enterprises (SMEs). In the team production view, instead of explicitly contracting with each other in order to determine their share in team production, team members in the firm surrender decision-making powers on the allocation of duties and rewards to a mediating hierarchy. In doing so, the mediating hierarchy’s function further extends to “encouraging firm-specific investment in team production by mediating disputes among team members ...” (Blair and Stout, 1999, p. 772). From a firm perspective, the mediating hierarchy function is performed by the board which at the apex of the firm’s decision-making mediates between all team members that have invested firm-specific resources in order to encourage greater team production (Blair and Stout, 1999).

From this perspective, all stakeholders with firm-specific skills and investments have a “stake” at risk in the firm. An effort to promote innovation in the firm should thus consider equally the importance of all firm-specific investments in the firm. The governance role in this context is a tough-to-identify mechanism for creating incentives for all stakeholders to increase the levels of their investment in firm-specific resources to contribute to in-

Given the above, the team production perspective seems to be an intuitive way of interpreting the boards of directors’ role in entrepreneurial SMEs with regard to innovation. To fulfil its task, the team production model of corporate governance suggests that boards should be composed of a diverse set of board members who knowledgably express the interests and perspectives of firms’ value-adding stakeholders (Kaufman and Englander, 2005). This is an essential feature for the board to serve as an impartial mediator between various value-adding stakeholders. Board members’ joint input of knowledge and advice in the process of strategy development is seen as central for the firm’s value creation capabilities in this context (Kaufman and Englander, 2005).

Employing outside directors to the board is frequently used and accepted in research on boards of directors as an indicator of board effectiveness (Fiegener et al., 2000). This might also be a way to create the diverse board composition asked for in the team production model of firm governance. Results from research on governance in SMEs (Huse, 1990, Huse, 1994, Daily and Dalton, 1992a) reveal that SMEs generally have smaller boards and a lower proportion of outside directors, however they also show that a substantial number of SMEs do have outside directors. These outside directors often act in SMEs as the chairperson of the board and play an important part in developing the board’s work towards professionalism. Further, they are expected to engage in strategic work and contribute to dealing with the complexity of decision-making (Rindova, 1999), share vital information about the industry and competition, identify viable strategies and suggest effective steps for implementation of strategy (Zahra and Schulte Jr, 1992) to push the firm towards innovation (Zahra, 1996).

In line with the team production arguments about diverse and impartial boards, it seems fair to argue that the chairperson as the leader of the boards in entrepreneurial firms may be an important feature for developing the boards’ value-creating potential in entrepreneurial firms. To provide further theoretical grounding for this argument, the next section will provide a review of the current status of the literature on board leadership.

Board leadership

Board leadership is widely acknowledged to be an essential feature in a well-functioning corporate governance system (Conger, 2009, Huse and Gabrielsson, 2012). The recognized importance of board leadership is, for example, evident in most legal frameworks through the collective responsi-
bility put on board members for setting overall strategic direction and taking ultimate responsibility for administrating company affairs. Moreover, in best practice recommendations there is often emphasis put on the role and responsibilities of the board chairperson for organizing and leading board meetings in a way that turns a group of independent board members into an interacting team (Gabrielsson et al., 2007). Thus, there is little disagreement that board leadership is an issue of interest for a wide range of stakeholders including shareholders, policymakers, investors and professional board members.

In a review of prior scholarly research on board leadership as part of this thesis, a systematic review of a sample of 139 articles from 62 academic journals was conducted. This study reveals that agency theory is clearly the dominant theoretical framework used to entangle board leadership. Further, the focus of attention of the studies on board leadership is mostly the examination of CEO-duality in firms. Even though other theories have been used lately, the dominance of agency theory in board leadership research, which began in the 1980s, continues to the present. This persistent dominance of agency theory in studies of boards of directors requires further attention by academics.

A second implication of the review is the issue of whether, and to what extent, board leadership research differs from other leadership research. With some exceptions, few of the articles we reviewed explore and relate to the relatively rich and diverse research on “traditional” leadership. Among the few exceptions are studies on the framework of shared leadership in boardroom settings (Conger and Lawler, 2009a, Vandewaerde et al., 2011). Yet, in general, this study found little linkage between board leadership research and traditional leadership research. A relevant question to ask is whether board leadership researchers miss an opportunity to broaden their research when they seem largely to ignore this parallel research tradition. I thus suggest that researchers on board leadership broaden their research scope on this issue.

Further, the review reveals that most of studies on board leadership in the sample use quantitative methodologies and sophisticated statistical analysis techniques to examine board leadership, although board leadership can also be studied using qualitative methodologies. This bias towards the use of quantitative methodologies and secondary sources of data might deter research from revealing important findings on board leadership that may only be discovered by qualitative methods of analysis (Conger, 1998). This is especially true for corporate governance researchers in business and management who wish to obtain an in-depth understanding of board leadership as a relational concept that is embedded in power/dependency relationships.
(Huse, 1998). It is thus suggested that the use of more qualitative methodologies would counter-balance the focus on the structures of board leadership by a greater focus on the behavioural dynamics of board leadership.

Another important finding of the review is its assembly of scholarly knowledge, which may provide a basis for theory development in board leadership research that can inform policy-making and best practice recommendations. The review shows that in the numerous studies published on board leadership during the last thirty years, a very prominent concern relates to the protection of shareholder wealth from self-serving managers by implementing independent board leadership structures. However, two decades of research on this issue have consistently shown that these board leadership structures do not produce strong and consistent corporate performance in various contexts (Dalton and Dalton, 2005, Dalton et al., 1998, Rhoades and Rechner, 2001, Donaldson and Davis, 1991, Davis et al., 1997). Given that result, it seems there is too great a focus on independent board leadership structures in policy debates and contemporary best practice recommendations. In this respect, the review identifies two research streams whose study can lead to best practice recommendations: the pragmatic stream and the behavioural stream. These research streams, which are concerned with the actual content and process of board leadership, offer actionable knowledge about issues related to culture, organizational politics and stakeholder interactions. In conclusion, it is recommended that policymakers and practitioners who are interested in frameworks that describe and explain the behaviours and processes of board leadership look more closely at these research streams.

To conclude, in this dissertation I refer to board leadership as the leadership exerted by the chairperson of the board to create efficiency and direction for the board’s work and its task fulfilment. Board leadership/chairpersonship can accordingly be defined as the use of knowledge and skills of board members for value creation in the firm (Huse and Gabrielsson, 2012).

Tasks and responsibilities of the chairperson of the board can be interpreted in different ways from different theoretical perspectives. As discussed above, agency theory has had a tremendous influence on research on corporate governance. This is even true in relation to the research on board leadership. New perspectives, however, have been debated and a growing number of board researchers propose new theoretical perspectives when discussing boards of directors and board leadership (Daily et al., 2003, Huse, 2007, van Ees et al., 2009, Machold et al., 2011, Gabrielsson et al.,

5 Board leadership and chairpersonship are used interchangeably in this dissertation.
2007). I will now elaborate this dissertation’s position on two relevant theoretical perspectives in relation to board leadership. These are agency theory and team production theory.

**Agency theory and chairpersonship**

Research on board leadership, as well as research on corporate governance in general, has been very much inspired by and embedded in an agency theoretical perspectives and the shareholder primacy view. The overall understanding of agency theory regarding the task of boards of directors is that boards should be involved in various control tasks in order for firms to avoid managerial opportunism and to ensure that managers act in accordance with the interests of shareholders (Jensen and Meckling, 1976a, Fama and Jensen, 1983).

Thus, in research on board leadership, the agency theoretical perspective considers the most important aspect of chairpersonship to be limited to the question of CEO-duality, a situation when the position of CEO and the board’s chairperson is shared by the same individual (Daily et al., 2003). Agency theory calls for a separation of the CEO and chairperson positions in order to secure the adequate execution of the board’s control task under the supervision of an external and independent chairperson (Daily and Dalton, 1997a). This implies that the chairperson of the board is a sponsor of managerial control in the board and uses the position to effectively exert decision and outcome control by using board’s collective resources. This view on leadership of the board of directors does not consider value creation or innovativeness and precludes any kind of idea about the condition of knowledge generation or organizational learning in firm by its focus on the control task of the board and the chairperson of the board (O'Sullivan, 2000).

Still, this stream of research has not hitherto succeeded in presenting any conclusive results, regarding firm performance or board effectiveness, in its particular focus to secure the control function of the board (Daily and Dalton, 1997b, Dalton et al., 1998, Finkelstein and Mooney, 2003). Furthermore, the problem of self-interested managers is rather absent in the majority of existing firms worldwide. Among others, family firms and owner-managed firms are clear examples of the case (Forbes and Milliken, 1999, Brunninge and Nordqvist, 2004). These firms are often SMEs and account for the lion’s share of the total number of firms globally (ACCA, 2010). Hence, this view on chairpersonship is more in line with a vigilant control of value distribution of firms’ residuals, and not in coherence with the idea of value-creating boards as proposed in this dissertation.
**Team production and chairpersonship**

In a team production approach, boards are perceived as knowledgeable and cooperative teams, with the ultimate purpose of leading the firm and coordinating its activities (Huse and Gabrielsson, 2012). Hence, boards of directors are seen as critical coordinating bodies with the main task of representing and mediating between all stakeholders in the firm. These stakeholders are characterized by their firm-specific investments while adding value to the firm, assuming unique risks and possessing strategic and relevant information for the firm’s operations (Kaufman and Englander, 2005).

To lead the board in performing its tasks, as anticipated in a team production setting, the chairperson must motivate all board members to share their knowledge with the board and add their critical perspectives to the discussions in constructive cognitive conflicts while seeking and nurturing cohesiveness among board members. This is, however, a complex and tricky task for the chairperson, who is not at the top of a decision-making hierarchy but leads his or her peers.

Furthermore, the chairperson is responsible for regulating board activities, building a structure that forms board effectiveness and making sure that board members’ knowledge and experience are used for value creation in the firm. There are strong links between chairperson attributes and qualities and board structures and the formation of the board’s activities (Huse and Gabrielsson, 2012).

To conclude, chairpersonship from a team production approach differs greatly from the suggested role of the chairperson as a sponsor of control of managerial opportunism. Chairpersonship is, in this context, about creating a boardroom culture that brings all members’ knowledge to the board and makes the board of directors a source of resources to help the company to build competitive advantage and engage in innovations.

In this context, the chairperson of the board should work towards promoting a team production culture in the boardroom. Scholars have identified six critical dimensions of a team production culture in the boardroom; these are cohesiveness, creativity, cognitive conflicts, openness and generosity, criticality and commitment (Huse et al., 2005a, Gabrielsson et al., 2007). A further development of these constructs might help research on board leadership to gain greater relevance and generate more applicable theoretical knowledge on the issue.

**Summary and point of departure for the empirical studies**

The frame of theoretical reference presented in this chapter and an analysis of the literature provide a point of departure for the studies conducted in this
dissertation. The five studies aim to answer the five research questions stated earlier in this introductory chapter.

The strong bias in studies on board leadership towards using an agency theoretical perspective in most of the previous studies, which are mostly vested empirical studies embedded in Anglo-American contexts using archival data and having large public companies as context, creates a call to map out the trends and developments of this research to better understand how the accumulated knowledge from previous research could be developed to new findings by adding complementary perspectives and questioning some of the assumptions of the established paradigms. This is also the underlying motive for the first study conducted in this dissertation to answer my first research question;

I  What are the developments and trends in research on board leadership? Research on owner-managed firms indicates that firms whose owner-entrepreneurs or family-business-owners employ external chairpersons in their boards of directors perform better than those of their counterparts whose boards and senior management teams comprise only family members or owner-entrepreneurs (Bammens et al., 2011, Neville, 2011, Daily and Dalton, 1992b, Bennett and Robson, 2004). Knowledge about what tasks these chairpersons in the context of owner-managed firms engage in is therefore valuable to both theory and practice. In terms of theory, prior research has used agency theory as the prime perspective when discussing the task of the board of directors and its chairperson. The primary task of the board of directors, as defined by agency theory, is to act as a monitoring device that controls the CEO and the management team (Fama, 1980, Jensen and Meckling, 1976a, Pettigrew and McNulty, 1995). This is, however, not the case in owner-managed firms. The board may simply have no control function in the conventional sense, because shareholder rights and managerial positions reside in same individuals (Forbes and Milliken, 1999). We need thus to understand what actual tasks chairpersons in owner-managed entrepreneurial firms engage in. This is the core in the second study conducted in this dissertation and aims to answer my second research question as follows:

II  What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in? Empirical studies suggest that the chairperson may play a key role for leading and developing the board of directors in small firms (Gabrielsson et al., 2007, Machold et al., 2011, Huse and Zattoni, 2008). However, most research that has addressed questions related to the chairperson has been heavily influenced by theoretical and methodological approaches that treat the inner workings of boards as a black box (Gabrielsson and Huse, 2004a,
Huse and Gabrielsson, 2012). This research relies primarily on agency theory in its conception of the firm (Fama and Jensen, 1983) where the question has been whether or not the Chief Executive Officer (CEO) should be removed from the chairperson position (Daily and Dalton, 1993, Daily et al., 2003). On the other hand, the few studies that have been conducted on chairpersons and their leadership behaviours have so far been largely descriptive (Huse and Gabrielsson, 2012, Leblanc, 2005). Thus, there is a lack of theory on the leadership role of board chairperson and how chairpersons can promote innovations via boards of directors in small entrepreneurial firms. The third study included in this dissertation aims to build a framework that addresses how board chairpersons can develop innovation-promoting boards in entrepreneurial firms and formulate an answer to my third research question as follows:

III What are the key concepts of board leadership for the promotion of innovation in entrepreneurial firms?

The chairperson position is a crucial aspect of boards of directors (Daily et al., 2002, Machold et al., 2011). The chairperson has a responsibility to structure board meetings and direct firms’ activities (Furr and Furr, 2005), as well as to oversee board processes and encourage participation and debate to ensure that firms’ strategic goals and company bylaws are achieved (Parker, 1990, Cadbury, 2002, Kakabadse and Kakabadse, 2007). While the board chairperson assumes additional responsibilities, he or she has no instruction authority over other board members and must thus rely on personal experiences and leadership behaviours to encourage commitment and promote a team orientation among board members (Gabrielsson et al., 2007). Hence, while the chairperson has a great deal of power over board meetings, it is his or her ability to provide effective leadership that is critical in order to bring out and unleash the board’s full value-creating potential (Machold et al., 2011, Huse and Gabrielsson, 2012, Leblanc, 2005).

The fourth study seeks to examine how chairperson’s leadership and qualifications influence boards’ strategy involvement in SMEs and sheds light on the fourth research question of this dissertation:

IV How do chairperson’s leadership and qualifications influence boards’ strategy involvement in SMEs?

There is a common understanding in research and practice that board leadership plays a critical role in building an effective board of directors that contributes to the strategy and performance of the firm. However, there is limited scholarly knowledge of how board leadership by the chairperson influences the entrepreneurial strategic posture of SMEs. Extant research on board leadership has been strongly influenced by agency theory, which focuses on the control function of boards with a focus on the protection and
distribution of value created in the firm. However, we need to understand how value is created by the boards of directors in firms (Huse, 2007). Internal value creation in SMEs is closely related to innovation (Gabrielsson, 2007a), which in turn depends largely on continued firm-specific investments from all value-adding stakeholders investing their specific resources into the chain of economic activities that make up the firm (Huse and Gabrielsson, 2012). Boards of directors engaging in value creation face complex and multifaceted tasks that involve the processing of strategic issues (Jackson, 1992). Scholars have argued that complex decisions of major significance to the organization are largely an outcome of behavioural factors rather than a mechanical quest for optimization on strictly rational grounds (March and Simon, 1993, Cyert and March, 1963). Such behavioural factors include the importance of stakeholder interactions and working processes inside and outside the boardroom in understanding and explaining board- and firm-level outcomes (Huse, 2007, van Ees et al., 2009).

The fifth and final study in this dissertation is presented in a conceptual paper and aims to build and present a conceptual framework and a research model of how chairperson’s leadership influences the entrepreneurial strategic posture of SMEs. This is also the concluding part of this work and answers my last research question as follows:

**V How does chairpersons’ leadership influence the entrepreneurial posture of small firms?**

To conclude, my discussion on two different theories of the firm has elaborated the differences between the agency and team production theories with regard to innovation and the context of SMEs. This literature review argues for a better fit in team production theory as regards the context and perspectives that constitute the core of this dissertation, namely innovation and value creation in entrepreneurial SMEs.

Based on the discussion of the theoretical framework and the overall purpose of the dissertation to enhance our understanding of chairperson leadership and its contribution to value creation via innovation in entrepreneurial firms, five studies are conducted. Each study will answer one of the five research questions of the dissertation. The final study, which also concludes the dissertation, will summarize and elaborate on the results of the previous studies as a way to conceptualize how chairperson leadership promotes strategy and innovation in entrepreneurial firms. This conceptualization will be summarized in a number of propositions to enable further empirical examination in future research.

The next chapter will discuss the methodological choices and the research process for this dissertation. The section will elaborate on personal experiences and reflections as well as theoretical reasoning.
Research process and methodology

This chapter will describe the overall process of this dissertation. Initially, a short reflection on the ontological and epistemological approach of the dissertation and my perspective on knowledge and knowledge generation will be set out. This is followed by a description of the process of how the research questions emerged. The chapter will then continue to outline the steps taken during the research project. A discussion about the methodologies applied in this study will follow and data sources and data collection activities will be presented.

Research approach

This dissertation aims to understand board leadership and its contribution to value creation via innovation in entrepreneurial firms. For example, I want to understand and generate knowledge about the tasks of the chairpersons of the boards of directors in SMEs. The chairpersons’ tasks and behaviour are events that are external and visible behaviours of people (Easton, 2010) and SMEs are entities that exist and can be observed by me as a researcher. This is in line with the epistemological and ontological understanding of critical realism (Bhaskar, 2014, Easton, 2010, Sayer, 1992). Critical realism has been taken up in studies in management and organization (Ackroyd and Fleetwood, 2005, Welch et al., 2011), as well as many other fields (Easton, 2010), is assumed to be appropriate in research in social sciences and fits the aim of this work particularly well.

Epistemology concerns the fundamental theory of knowledge and the way it can be produced (Woolgar, 1988), while ontology is the philosophical study of the nature of being and reality (Raadschelders, 2011). This dissertation and the studies included in it conform to critical realism as a philosophical doctrine. Regarding the ontological stance, critical realism states that “the world exists independently of our knowledge of it” (Sayer, 1992, p. 5) and objects of the world, whether natural or social, have particular powers or ways of acting and particular weaknesses (Easton, 2010).

Epistemologically, the critical realist believes that our knowledge of the world is fallible and theory-based. Concepts of truth and falsity fail to provide a coherent view of the relationship between knowledge and its object. Yet knowledge is not immune to empirical check and its use in informing and explaining successful practice is not mere chance. Knowledge develops neither purely continuously, as the accumulation of facts within a stable
conceptual framework, nor discontinuously, through simultaneous and universal changes in concepts (Bhaskar, 2014, Sayer, 1992).

Social phenomena such as actions, texts and institutions are concept-dependent. We have not only to explain their production and effects but also to understand what they mean. Although they have to be interpreted from the researcher’s own frames of understanding, by and large they exist regardless of researchers’ interpretations of them. A science or the production of any kind of knowledge is a social practice, thus the conditions and social relations of the production of knowledge influence its content (Sayer, 1992, Easton, 2010). The critical realist holds that real phenomena exist independent of human consciousness, but that knowledge is socially created (Bhaskar, 2010).

Further, in this dissertation I consider knowledge as cumulative; hence, it is important to build upon existing theories and prior findings in order to extend our understanding of a specific phenomenon. From this perspective, the progress within the field of governance and the work of boards of directors and their leadership has been limited in varies aspects (Huse, 2005b, Daily et al., 2003), based on an existing and strong paradigm which refers to a fundamental set of beliefs, assumptions and values (Kuhn and Hacking, 2012).

To conclude, results from this dissertation and all included studies are dependent on the theoretical framework and methodologies adopted and as such it is open for scientific debate. This could be done through a discussion about choices made in respect of research design and methodological choices, as well as other related issues in each part of this dissertation such as theoretical perspectives and analysis. In the remainder of this section the research process and choices of this study will be presented and discussed.

Emergence of the research idea

This dissertation is the result of a journey that took off in autumn 2011. I was at the time a university lecturer at Borås University and the CEO of a development company as part of the holding company of the same university. The position as CEO included the general task of helping researchers at the university to utilize their research results in start-ups and/or within a relevant industry sector by knowledge transfer activities. In other words, the responsibilities included engaging and interacting with knowledge-based start-ups built on scholarly research and helping researchers with core development processes such as intellectual property rights, financing, organizing and commercialization initiatives. Other areas of responsibility included knowledge transfer from university research to the industry sphere in gen-
eral. In short, the position entailed experiencing all nuances of innovation in action during more than ten years working closely with researchers at universities, research institutes and industry representatives.

I was also engaged as a board member of the Swedish Academy of Board Directors and responsible for executive training programmes for member directors. The two interests, innovation and governance, eventually merged when a project on firms and innovation was developed in collaboration with industry directors and a group of SMEs. The notion that many strategic leaders in these firms lack a clear idea or strategic thinking about how to advance their business by the generation and/or adoption of an idea or behaviour, pertaining to a product, service, device, system, policy or programme, which is new to their firm triggered a passion to learn more about this interesting as well as challenging topic.

Early in this process, a deficiency of the scholarly work on board leadership in SMEs was discovered. Further, it was obvious that innovation was not an often-used theme in the few studies on board leadership in SME context identified at the time. However, eventually I learned to know about a few European studies on the governance of SMEs, which lead me to a dedicated community of European scholars with similar interests. These contacts boosted my initial thoughts about the governance of SMEs towards innovativeness into a well-defined question on board leadership in this context. By October 2011 a PhD position at the University of Halmstad was secured and the journey was initiated. The research questions elaborated in this dissertation, however, were formulated during 2012 in dialogue with a network of scholars engaged in the corporate governance special interest group at the European Academy of Management (EURAM COGO SIG) and the Norefjell Corporate Governance workshops.

The empirical evidence and my personal experience pointed to the fact that SMEs often have boards comprising only owner entrepreneurs, family members and owner-managers. Often these boards are just fictive legal entities to satisfy the legislative demands of the Companies Act and lack the experience needed to lead the firm in its renewal processes; accordingly, the board’s work needs to be structured and developed in order for the board to carry out its tasks.

Structuring the work of boards of directors seems therefore to be an important part of the strategic improvement of these firms and to be a crucial

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6 StyrelseAkademien
7 Norefjell workshops have been arranged annually and allow scholars in corporate governance interested in processes of boards of directors and a behavioural perspective in research meet and discuss current scholarly research and the future path of this stream.
need for small and medium-sized enterprises in general. Some owners/owner-managers develop an insight about the potential of accurate governance of the firm and the value of external competence to succeed with value creation in the firm by employing external board members. It appears that when these small and medium-sized firms choose to employ an external board member he or she will usually be employed as the chairperson of the board. Thus, a curiosity about the effect of the chairperson on the board’s work and value creation in the firm was developed and turned out to form the core questions for this research and dissertation project.

The current state of board leadership research

After the initial elaborations of different interest points and questions, the research project started with a thorough and systematic review of the extant research on board leadership. That is the first study of this research, by now reported as a published article co-authored with Jonas Gabrielsson. The article presents a systematic literature review of 139 articles on board leadership that have been published in business and management journals since the 1980s. For each paper, the journal association, author country affiliations, topics and focus level, theories, empirical context and methodologies are presented and analysed in this report. We also assembled and analysed the data thematically in order to identify and frame developments and trends in extant research on board leadership.

Findings from the work with this first study, the board leadership review, advanced the project to a new level of understanding and gave an additional and complementary view on my earlier experience from interaction in empirical settings with board members. New insights amplified the abstraction of the subject and verified the need for the kind of study I was considering to pursue.

As the next step in the process, a rich data set from the value creating board survey in Norway was used to test hypotheses on board leadership. This data set has been developed and used by a network of European corporate governance scholars for several years and it includes behavioural data on several verified constructs from this field of research.

After thoroughly familiarising myself with the data and testing a few hypotheses by examining the data, I could conclude that the content of board leadership as a phenomenon should be developed in further qualitative stud-
ies to establish the essence of the phenomenon as well as the rich data from the value creating board survey.

How do chairpersons contribute to value creation in SMEs?

In accordance with the decision to go further by an inductive approach, two case studies with SMEs as context were initiated. The first case study (the second paper in the dissertation) aimed to put the chairperson’s work and impact in an SME context in focus. By examining the perceptions of multiple respondents, including board members, owner-managers and chairpersons themselves about the chairperson tasks and conduct, I developed a nuanced vocabulary and some new concepts on chairperson tasks.

This study seeks to understand how the owner-managers and other board members apprehend the chairperson’s tasks in this context. Insights from the study were expected to give the project a comprehensive understanding of the context and the potential differences in expectations from different respondents. A triangulation of perspectives helped to further my understanding about the context, the tasks and the relations in owner-managed entrepreneurial firms with regard to the chairperson of the board. This study aimed hence to identify and conceptualize the tasks that chairpersons in owner-managed entrepreneurial firms actually engage in.

The study underlying the second paper in this dissertation was a case study conducted with two participating firms, both medium-sized owner-managed Swedish entrepreneurial firms. These firms had employed an external non-executive chairperson, while the owners were also members of the board of directors and members of the top management team of the firms.

This study resulted in conceptualization of the chairpersons’ tasks in the context of owner-managed firms. The studies were reported in a research paper at the European Academy of Management conference and received a best paper award at the doctoral colloquium at the European Academy of Management (EURAM) 2015;9 it is currently submitted to the European Management Review (EMR) and is in the revise and submit process.

The second qualitative case study (the third study in the dissertation) was interested in the chairpersons’ perceptions of their own work and how they understood their role and effect in promoting innovation in the firm. Thus, the study is a case study on the actual work of chairpersons in entrepreneur-

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This study was a multiple case study based on interviews with six chairpersons as respondents. All respondents included in the sample were non-executive and external chairpersons in entrepreneurial firms with active owner-managers with an outspoken growth ambition based on new products, markets or business models.

The chairpersons in the study were at the time of the study serving as chairpersons at twenty-six firms. However, they had experience from seventy-five engagements in total when previous engagement was taken into consideration. A pre-structured interview protocol provided an overall framework for all interviews. A thematic interview guide for the case-studies in this dissertation is presented in the Appendix. However, as I did not aim to test any hypotheses, the interviews were conducted with an open mind to enable exploratory and inductive theory building (Eisenhardt, 1989b). This study was reported in a co-authored article included in an anthology on entrepreneurial firms together with works from other European scholars on entrepreneurship and corporate governance.10

Testing hypothesis

Explicit ideas about hypotheses testing started to emerge in an iterative process going back and forth between the observations in the qualitative studies conducted within the SME context and the quantitative data available on SMEs in the value creating board survey data set.

The fourth study in the dissertation, a quantitative one, was conducted when I searched for effects of chairperson’s behaviour and qualifications such as prior board and industry experience, leadership efficacy and firm-specific knowledge on board strategy involvement in SMEs. Strategy involvement is broadly accepted as a prerequisite of innovation in entrepreneurial firms in research on strategy (Zahra, 1990, Zahra and Covin, 1995) and is an important indicator for firm innovation potential and performance (Forbes and Milliken, 1999, Gabrielsson and Winlund, 2000, Huse et al., 2005b). Board strategy involvement was thus used as the dependent variable in this study.

The study was reported in a co-authored paper which in its first version was accepted for presentation at the Nordic Corporate Governance Conference (NCGC) in June 2015. A revised version of the study was accepted and presented at the inaugural conference of the International Corporate Governance Society (ICGS) in September same year in Copenhagen. After the second revision, the article comprising the results of the study was submitted to the *Journal of Small Business Management* for publication and is currently in the editorial review process.

A conceptual research model and framework

The fifth and last study presented in this dissertation outlines a conceptual framework with a research model for understanding innovation-promoting board leadership in entrepreneurial small and medium-sized enterprises (SMEs). This fifth study is summarized in a paper that aims to synthesize contemporary theory and research on innovation, entrepreneurship and corporate governance as a means of building and presenting a conceptual framework and a research model of how chairperson’s leadership influences the entrepreneurial strategic posture of SMEs. The framework and the research model explicitly identify theoretical relationships embedded in the literature and thereby open up for academic debate and further research the links between the board chairperson, board development practices, the firm’s entrepreneurial strategic posture and firm performance. In this respect, the framework and research model includes a number of propositions that can be debated and validated through further empirical studies. The framework and the research model can also be used as a basis for understanding and developing innovation-promoting boards in entrepreneurial SMEs.

This fifth paper concludes the dissertation and, based on the previous studies of this work, suggests future path of research and propositions to be examined further. The paper is currently submitted to the journal *Entrepreneurship Theory and Practice* and is in the review process.

Methodological approaches

Due to the different characteristics of the five studies conducted in this dissertation, several methodological approaches have been employed and integrated into the research process. As mentioned above, the first study in the dissertation was a systematic literature review. This was followed by two case studies conducted in a qualitative tradition. An additional study was based on survey data analysed by statistical methods. Finally, a conceptual
paper was developed to focus and conceptualize the overall findings of the dissertation.

This section will reflect on the methodological choices and ethical considerations and present the different methodologies used in each of the studies included in the dissertation. The section will conclude by giving an overview of the data collection efforts throughout the research project.

Combining methodologies

This dissertation approaches the overall question of how chairperson leadership promotes strategy and innovation in entrepreneurial firms using a variety of methodologies. From a realist view, I acknowledge the existence of phenomena that may show certain powers or ways of acting – as well as particular strains – while they are independent from us and our theories (Sayer, 1992). However, although real phenomena exist independent of human consciousness, I believe that knowledge is socially created (Bhaskar, 2010). The work of boards of directors is based on social interaction and a great part of conventions and understandings that are not always based on natural laws or totally logical reasoning but sometimes a result of social conventions and constructions.

Previous studies in the field highlight the need to better understand the behavioural aspects of board work and its leadership by empirically studying this (Zahra and Pearce, 1990, Huse and Gabrielsson, 2012, Daily et al., 2003) by means of quantitative and qualitative methods (Nordqvist et al., 2014). In general terms, the mixed method research allows advancing the research process by gathering data and integrating findings from both qualitative and quantitative sources in this study.

E ven though combining methods is a challenging task (Creswell and Clark, 2011), I believe that there are good reasons to do so in this study. First, the phenomenon at the focus of this dissertation deals with processes of board leadership and boards of directors; therefore leaning on only one methodology may not capture the whole picture (Creswell, 2003); the use of both methods allows for a process perspective in which the quantitative method offers an account in social life while the qualitative one gives a sense of processes (Bryman, 2006). For example, in the two case studies (qualitative) included in this work I aim to make the facts of a small number of related cases “understandable”, which calls for a case-oriented research strategy, while in the fourth (quantitative) study I try to document general patterns characterizing a population of SMEs (Ragin, 1999).

Second, there are some advantages to achieve greater validity for the findings when both methods are combined and act in complimentary way to create the results of the research (Bryman, 2006). Finally, the mixed method
approach enhances the credibility and integrity of the findings of the study (Creswell and Clark, 2011) when it gives the opportunity to corroborate the result from the analysis in one method with the other and also allows the capturing of potential paradoxes and contradictions (Greene and et al., 1989). Below, the methods applied in each study included in the dissertation will be presented in more detail. However, I will start by reflecting on some ethical considerations in the data collection processes.

**Ethical considerations and data collection**

Ethical issues are practically present in all kind of research. The research process includes moments of tension between the focus for the research to make generalizations and the rights of the participant to maintain privacy. Ethics in this context pertain to doing good while avoiding harm (Orb et al., 2001). As described above, in this work I use both qualitative and quantitative research methods. The nature of ethical problems in qualitative research studies is subtle and different from the problems in quantitative research in many ways.

The purpose of qualitative research is to describe a phenomenon from respondent participants’ views through interviews and observations. The ethical dilemmas that may appear and rise in interview situations are not easy to predict but awareness on the part of the researcher might prevent potential conflicts of interest. Interviews should be conducted with confidentiality, informed consent and privacy. I have tried to integrate these criteria critically in this work when engaging in data collection. Further, in my processes I chose to use well-established ethical principles identified by extant research. These are principles of autonomy, beneficence and justice, and their application aims to secure the ethical aspects of research in this dissertation (Orb et al., 2001).

Autonomy is honoured by informed consent in this research, i.e. respecting the participant respondents’ autonomy and their right to freely decide to participate or deny participation. It also means that the researcher focuses on the information needed and does not over- or under-inform over the course of the relationship with the participants. All of the participants in my case studies have been informed about the core of my study and hence the discussions have mainly been related to this focus. I have also shared the results with the participants by inviting them to seminars and sending them all information and results in which they had an interest while maintaining the balance between over-informing and under-informing (Kvale, 1996).

Beneficence is about being transparent and open. It is important not to be overprotective and paternalistic. All parties with a stake in the research focus should be offered participation and not excluded without a thorough
discussion about inclusion and exclusion criteria. Further, the researcher has a moral obligation to ensure confidentiality and consider the potential consequences of revealing participants’ identities or information. In this work I have regularly sought to include all relevant perspectives by inviting relevant stakeholders into discussions while keeping confidentiality when applicable. By keeping transparent communication and enduring dialogues I have tried to open up an examination of the creation of knowledge that favours both this research and my participants in their daily and strategic operations.

Finally, justice as a principle refers to fairness. The researcher’s application of justice is about recognizing the vulnerability of the participants and also recognizing their contributions (Capron, 1997). I have regularly reported back to my participants about their contribution and shared the results of my research as reports, papers and other publications with relevant participants. Good dialogue and long-lasting relations have been an important part in all contact with firms, individuals and other stakeholders throughout the research process.

Systematic literature review

The first study in this dissertation is a comprehensive and systematic literature review on the extant research on board leadership. To identify relevant articles to include in this literature review, a structure for the study was developed by the research team. The structure included four main phases of the study: planning, search, analysis and reporting. These phases comprised different steps and activities, including the development of criteria for inclusion of papers in the review, coding schema and search process development. Figure 2 shows the structure of the review study.
Our inclusion criteria were defined as scholarly papers on board leadership published in peer review scholarly journals included in three electronic libraries/databases: ABI/INFORM, Business Source Elite and Scopus. We excluded articles that mentioned board leadership and gave lip service to the issue but did not discuss it in depth.

Initially we spotted about 18,000 article matches in the databases. However, after concluding the search phase of the research with all incorporated steps we ended up with 139 articles. This number of articles also included some articles that we could identify later through cross-referencing in the articles already included when they did not show up in our initial search in the electronic libraries. Figure 3 gives a detailed description of the steps conducted in the search phase of the study.
Inclusion of additional papers that were identified via cross-referencing during the analysis of the bibliographies of papers/publications retrieved in the previous step.

Further safeguarding of relevance and substance by reading the remaining paper/publications in their entirety and discarding publications that fail to address the aim of the study.

Ensuring substantive relevance by reading all abstracts of the remaining papers and evaluating their relevance for the study and eliminating others.

Elimination of irrelevant articles
We excluded articles that did not meet our inclusion criteria.

Consolidation of results from “journal research” and elimination of duplicates
The many duplicates were removed from the list of included articles.

Keywords and search strings
Board (and) Leadership (or) Board (and) Leader (or) Board (and) Chairperson (or) Board (and) Chairpersonship (or) Board (and) Chairman (or) Board (and) Chairmanship

Search in electronic libraries/databases
- ABI/INFORM
- Business Source Elite
- Scopus
In the analysis phase, we coded the 139 articles in accordance with our pre-defined coding scheme. After the first author completed the initial coding, the second author looked for possible coding errors. The risk of subjective bias in this step was minimized since we used only “hard facts” in the coding: author country affiliations, journals titles, focus levels and topics, theoretical frameworks, empirical contexts and methodologies were all part of this coding process. These data were used in the descriptive analysis of the articles later in the reporting phase.

We then prepared a thematic analysis of the articles in which we identified trends and developments in the research on board leadership. We applied qualitative content analysis inductively to identify possible clusters of articles. Content analysis, which is a flexible methodology for analysing textual data (Cavanagh, 1997), includes a group of analytical approaches. These approaches vary from impressionistic, intuitive, interpretive analyses to more conventional, systematic and strict textual analyses (Rosengren, 1981). In this study, an applied conventional content analysis was applied, which is recommended when the theory or knowledge related to a phenomenon is limited (Hsieh and Shannon, 2005).

The case study approach (qualitative methods)
The two studies following the literature review conducted in this dissertation aimed to develop new theory and new concepts and to give deeper insight into the actual work and tasks of chairpersons in small and medium-sized enterprises with growth on their strategic agenda.

The case study research is a strategy that focuses on understanding the dynamics present within single settings. However, case studies can include either single or multiple cases within a study (Yin, 2013). Case studies usually combine data collection methods such as interviews, observations, questionnaires and archives (Eisenhardt, 1989b). The evidence may thus be qualitative, quantitative or both. Case studies can be used to provide description, test a theory or actually generate a theory, which is in accordance with the aim of the two case studies conducted in this dissertation.

Below, a systematic presentation of the process of research for each of the papers will follow. In this presentation I will generally follow the steps suggested by Kathleen Eisenhardt (1989), although some adjustment might occur based on the specific design of respective study. These steps are getting started, selecting cases, crafting instruments and protocols, entering the field, analysing data, shaping hypotheses, enfolding literature and reaching closure (Eisenhardt, 1989b).
What does the chairperson do in owner-managed firms?

The first case study in this dissertation focuses on the tasks of non-executive chairpersons in owner-managed firms. The research question for this study is an important part of the dissertation as a whole in creating a clear understanding of what chairpersons actually engage in in owner-managed firms. Extant research has largely neglected owner-managed firms when discussing board leadership. The definitions of the chairperson’s tasks have also been diverse and non-conclusive in previous research (Machold and Farquhar, 2013, Gabrielsson et al., 2007).

Identification of the two cases to be included in the study was the result of a theoretical sampling. While access to process data when conducting research on boards of directors is a challenge for the corporate governance researcher (Huse et al., 2011a), it is important to choose cases which are “transparently observable” (Pettigrew, 1990), i.e. gives the researcher reasonable chances to be involved in and gather data. The cases in this study were therefore identified in a network of professional board members and directors in Sweden in which I had well established relations and trust which vouched for access to the chairpersons who participated openly in the study and paved the way into the firms and its owners. The inclusion criteria were defined as owner-managed firms in which a non-executive director external to the firm had been appointed as the chairperson of the board at least five years prior to the study. Eight cases were initially identified and examined according to the inclusion criteria defined for this study. In this search process, all recent publications of news articles about the identified firms in national and local newspapers, financial reports for the firms between 2009 and 2014 and changes in the board configuration during the same period were collected and considered. None of our chairpersons had shares in the companies they were serving as chairperson. A minimum of five years on the board for the chairperson was accepted as a criterion and considered to be the minimum time needed to establish a trusting relationship with the owner-managers in the company and to develop a thorough understanding of the firm and its owner-managers.

However, during the process several setbacks resulted in a reduction of the number of cases for the study. A few examples of why respondents left the study include a chairperson leaving her engagement in the firm; another firm was subject to an acquisition in the course of the research process, which put some restrictions on all parts; in another firm a substantial change in the board of directors and management changed the scenery for the study and thus were excluded from the study.

Two firms finally remained from the eight initially approached to participate in the study. Both of the remaining firms in the sample are owner-
managed firms which had chosen to appoint an external non-executive chairperson without any shares in the firm to their boards.

A multi-data collection method was applied to enable triangulation of data to ensure validation and analysis in the research process. Observation, archival data on firms, interviews, annual reports and internal documents were data sources among others. An interview protocol was developed to gauge the aspects important to the research questions for the study.

Interviews were conducted with all board members in both firms, including owner-managers, chairpersons and other external board members where applicable. A total of eight interviews were conducted. All interviews were audiotaped and transcribed to simplify analysis and create transparency in the process by sharing the material with other researchers and the respondents when asked for. In one case, one of the chairpersons experienced the interview so fruitful that he asked for the audiotaped interview and the transcription to be included in the board’s protocols and documentation.

In the analyses of the data, where different perspectives on chairperson tasks were presented by the owner-managers, external board members’ and chairpersons’ concepts of the task of the chairperson eventually emerged. These concepts were subject to in-case and between-case analyses and built new task concepts and a new terminology. The terminology had partially been presented in the extant research but also consisted of new concepts which complemented previous research insights into board leadership. These new perspectives on chairpersons’ tasks were further discussed with some of the respondents and in scholarly seminars with peers. The critical discussions and elaboration of the concepts have been an important part of the process of concept development and examination of the result in the extant research to develop new scholarly knowledge.

The result was finally presented in an article that was presented at EURAM 2015 and won a best paper award from the doctoral colloquium at the conference. The paper is submitted to the European Management Review and is currently in the revise and submit process.

Chairpersons and innovation

The second case study was published in an article entitled Corporate governance and innovation in small entrepreneurial firms: The board chairperson’s role. This work aimed to create a framework for the promotion of innovation through effective chairpersonship in entrepreneurial firms.

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The work of boards of directors are a notoriously inaccessible research setting (McNulty and Pettigrew, 1999, Huse, 2000), which partially explains why most research on boards has been based on secondary data collected from various publicly available reports about large publicly held companies (Yar Hamidi and Gabrielson, 2014). In line with the aim of contributing to a small but growing area of research on boards in a poorly conceptualized SME context, a case study approach was employed. This approach is often considered useful for building theories in new and emerging topical areas where development is needed at both theoretical and empirical levels (Eisenhardt, 1989b, Yin, 2013).

Next, through a theoretical sampling process professional chairpersons were identified and asked to participate in the study. Theoretical sampling was chosen since the study aimed to find out how professional chairpersons interpret their own work relating to growth and innovation in their real-life work situation in entrepreneurial firms. Three inclusion criteria guided the process of identifying cases. First, the main owners of the company should have explicitly expressed and communicated their intention to grow the company as a directive to the board of directors and the chairperson of the board. Second, as we were interested in the practice of chairpersonship and the actual work and behaviour of the chairperson, we chose to conduct interviews with chairpersons who had extensive prior experience of board work. Third, the respondent should be an externally recruited non-executive board chairperson without any controlling posts in the company.

Respondents were targeted via the identification of companies that during the last few years had a track record of innovation-driven growth. Some of these companies were family businesses or owner-managed firms while others were partially owned by investment companies. In the process of finding respondents and collecting data we followed the principle of saturation (Glaser and Strauss, 1967). Our final sample consisted of six interviews, comprising a pilot interview conducted to test the interview protocol and then five regular interviews. The chairperson who participated in the pilot interview also qualified for all our inclusion criteria as declared above.

An open and comprehensive interview protocol (see Appendix) was developed and tested in a pilot interview with one of the chairpersons to find out how the open questions could be developed and add complimentary questions if needed in the protocol. Information was gathered on each of the individual respondents. Information about engagements, firms, ownership and other activities of each chairperson was collected. Archival data on annual reports, board members and ownership regarding all firms that the chairpersons had been engaged in were also collected. Upon each interview the researcher responsible for interviews had a wide range of information to
use in discussions and for triangulation of the results from the interviews and analysis. All interviews were audiotaped and transcribed to simplify analysis and create transparency in the process by sharing the material in the research team.

The interviews were not focused on one firm or one specific activity in a specific board of directors or firm but aimed to gauge the overall understanding of each chairperson about what kind of board leadership and activities may lead to more innovative decision-making and innovation in the firm. The chairpersons shared their stories from many firms and situations. These included more than those firms they were engaged by at the time for the interviews. They gave examples and shared their thoughts about what they believed could further the work of the board of directors towards more innovation in the firm and how the chairperson could influence that.

The rich data were then analysed by the research team. The core of the analysis is represented by the lived experience of the respondents, verified by information collected from other sources. The whole process was guided by the goal of having a rich and relevant dialogue with the respondents about the particular area of inquiry.

Data analysis was initiated simultaneously with the data collection, as is often recommended by qualitative researchers (Glaser and Strauss, 1965). The analysis started with examining the first case as a separately standing entity. The input was used to start identifying building blocks in an empirically grounded framework for promoting innovation through effective board leadership in entrepreneurial firms. At the same time, a process of thinking and noticing how these patterns might relate to existing theory was started (Eisenhardt, 1989b, Glaser and Strauss, 1965). As cases were added, additional within-case analyses were undertaken, followed by cross-case analyses to establish whether observations were unique to the individual case or whether they represented a trend across the cases on one or several parameters of interest (Miles and Huberman, 1994). This process continued until the final case was analysed and compared with the other case.

The results from the analysis were then used to develop a conceptual framework for innovation-driven chairpersonship. This was done in a process by which the emergent concepts were compared and enfolded in the extant research (Eisenhardt, 1989b) on board leadership and innovation and theories of the firm. Finally, when the team could clearly identify the relevance of the concepts emerging in the study with findings in the extant research, we prepared a report for presentation. By then, theoretical saturation was reached and the incremental improvements were minimal (Eisenhardt, 1989b); the results were presented in an article.
A few reflections on the research process and the rigor of case studies

The process of building theory from case study research is an iterative process backwards and forwards between steps in the research process. For example, a researcher might move from between-case comparison, back to a redefinition of the research question and out to the field to find new cases and evidence to explore. Closeness to the empirical evidence remains crucial in this process. This creates also the important strength of the case study research, which is to generate novel theory (Eisenhardt, 1989b).

The question of how to evaluate theory-building research using case studies remains open and no generally accepted set of guidelines exists in this regard (Eisenhardt and Graebner, 2007, Pratt, 2008). However, some criteria seem appropriate to consider. Michael Gibbert and Winfried Ruigrok (2010), in their review of all case studies published between 1995 and 2000 in ten management journals, identified three strategies for ensuring rigor in case study research.

The three strategies for ensuring case study rigor are (a) reporting actions rather than abstract criteria, (b) prioritizing internal and construct validity over external validity and (c) presenting setbacks and make best use of existing resources (Gibbert and Ruigrok, 2010).

In this dissertation, when reporting methodological actions the focus has been primarily on thoroughly reporting the actual steps of the research involved to make the research process as transparent as possible. Abstract description of intention and actions has been avoided and descriptions close to the actual happenings throughout the research process have been prioritized and delivered.

To ensure construct validity, which refers to the extent to which a study investigates what it claims to investigate (Denzin and Lincoln, 2000) in the research process, all interviews have been transcribed to be able to be examined by fellow researchers. Moreover, method sections in the dissertation have had the aim of being thorough in establishing a chain of evidence for the reader to be able to reconstruct how the researcher went from the initial research question to the final conclusions (Yin, 2013).

To ensure internal validity, also called “logical validity” (Gibbert and Ruigrok, 2010), I have in this work continually compared the results from the studies to the result and principles of the extant research. In this work I have also used theory triangulation by adopting multiple perspectives (Yin, 2013) and by reporting different theoretical lenses and bodies of literature to interpret the data.

Finally, as often happens, even in the process of this dissertation there have been several reported setbacks in the process. However, these setbacks have occasionally been a blessing, leading the process into new avenues and
enriching knowledge generation and the development of the research questions, as well as personal characteristics on my part.

**Hypothesis testing study (quantitative methods)**

The fourth study in the dissertation examines a number of theoretically driven hypotheses about board involvement in strategy in SMEs. This study used survey data from the “value creating board” survey conducted at the Norwegian School of Management BI from 2001 to 2007. The data used in the study in this dissertation were collected during autumn 2005 and spring 2006.

Questionnaires ranging between six and eight pages were used in each of the surveys. Data were collected from multiple respondents in same firms. The survey consisted of 265 questions to CEOs, 235 to chairpersons and 215 to other board members. Most of the questions were identical, but some questions were asked only to board members and not to the CEOs and vice versa. Generally, the questions followed the following order:

a) Firm demography and industry  
b) Age, gender, tenure, experience and background of the CEO and chairperson (and respondent)  
c) Ownership  
d) The board members and board composition  
e) Board working structures and board leadership  
f) Board decision-making culture  
g) Board task involvement  
h) Innovation and value creation

The questions being asked in the survey questionnaires mostly had Likert-type scales. In such questions the respondents are asked to rate on a scale how much they disagree or agree with presented assertions. The scales used in the survey were from 1 to 7, where 1 meant “I strongly disagree” and 7 meant “I strongly agree”.

The total number of firms in the original sample was 2,954, comprising a very diverse group of firms including large, public, private, medium, small and micro firms. Several subgroups from earlier studies were also included in the survey sample.

The data used in this dissertation, however, only included firms where the number of employees in the firm was less than 250, which follows the European Union’s definition of medium-sized enterprises. This reduced the number of firms in the sample to 520 cases. Furthermore, the research interest in this work on chairperson leadership also requires a board of directors with at least two members. Thus, all firms with only one official board member, so-called “paper boards” (Gabrielsson and Winlund, 2000), were
excluded. Finally, I carefully went through the data and excluded cases with missing or incomplete data in one or several variables of interest in this study. One important criterion in this study was the multiple responses condition: we have at least two answers from each case, one from the CEO and one from the board of directors.

This screening resulted in a final of 326 cases included in the study with complete and accurate data that could be used in our statistical analysis, which corresponds to approximately 62 per cent of the initial sample of small and medium-sized firms included in the dataset.

The data set used in this study was unique in its focus on validated scales related to the behavioural aspects of actual board work developed by corporate governance scholars in several European countries over many years (Huse, 2007, Huse et al., 2009, Gabrielsson et al., 2007, Minichilli and Hansen, 2007, Zona and Zattoni, 2007, Pugliese and Wenstop, 2007, van Ees et al., 2008, Machold et al., 2011, Minichilli et al., 2009, Torchia et al., 2011). The questions used in the surveys were short and specific, using simple words to avoid ambiguous formulations (Dillman, 2011). The survey was sent out to multiple respondents in each firm and the results included responses from managing directors, chairpersons and other board members.

The hypotheses tested in the study are developed and grounded in the extant research and integrated in the knowledge generated in the two case studies preceding this study during the dissertation process and in dialogue with networks of corporate governance and innovation scholars. The hypotheses are also based on validated constructs with detailed data in the data set. The results have been discussed in several seminars with peer discussions and theory triangulation by cross-checking with other researcher and theories.

In the analysis phase, Statistical Package for the Social Sciences (SPSS) was used for descriptive and regression analyses. The use of this data set has three main advantages; first, quantitative data facilitate explanation among a large set of variables to the sample population using standard statistical procedures; second, it is possible in this study to build upon and develop previous knowledge obtained with similar methods; and, third, it maintains the great possibility of keeping a dialogue open with many of the researchers that prior to and during this study were working with the data set and verifying any kind of questions with peers while enjoying having critical friends on the current research process.
Data sources in this dissertation: an overview

To create an overview of the sum of the intellectual and data input in to the research process for this dissertation, a structured presentation of various input sources will be conducted in this section. The data sources for each study included in the dissertation will be presented. However, this research process has been characterized by learning and gathering insights into a complex and multifaceted phenomenon in a number of ways, including unstructured meetings and discussions, resulting in important understanding. Some of the inputs have been used directly as data in the studies; others have built up the platform that makes the cognitive work in this dissertation possible. Every source mentioned in this section has been important to the whole process as a part of a system developing a complete result. Hence, there have been important inspiration sources involved in the creation of this work that should be mentioned and recognized. It is about the essence of each scholarly discussion with peers and each meeting with the chairpersons, owner-managers and board members who generously share their ideas and interpretations with me as a colleague, friend or researcher. Sometimes I noted that a ten-minute highly informal conversation in private after a two-hour seminar could reveal more nuances than what was revealed during the seminar or a planned interview. It is this kind of latent but important insights and knowledge that I refer to as sources of inspiration here. For a list of inspiration sources, see Appendix, which includes various kinds of activities including scholarly seminars, conferences, informal interviews, evaluations and other activities that add to the overall understanding of the phenomenon in the focus of this dissertation but are not a source of data for the studies included here. In Table 2, I present data sources for each study included in the dissertation individually.

Table 2: Presentation of data sources in the five studies

<table>
<thead>
<tr>
<th>Paper I – Developments and trends in research on board leadership: a systematic literature review</th>
<th>Three different scholarly article databases were used in this study as the main data source. A systematic search in three databases was conducted to identify relevant articles: ABI/INFORM, Business Source Elite, Scopus. A manual search in the reference lists of the articles included in the study from the main search process was conducted to identify other articles that might be relevant to the study but did not show up in the search process. Input from peers and colleagues about relevant articles were another important source for identifying relevant articles. This was done both at seminars and by asking scholars directly about their and other peers work. Several occasions of presentation of early versions of the study at conferences and seminars gave valuable inputs that were taken in consideration when developing the study.</th>
</tr>
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</table>

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Paper II – What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?

Six interviews (including one pilot interview) with chairpersons active in entrepreneurial firms in Sweden were conducted. These chairpersons were each active in several firms and shared their understanding of their role and contribution with me. Annual reports from 26 firms where the interviewees had engagements were reviewed. I studied all firms where the respondent chairperson was engaged in at the time of the interview to learn about the firms and be able to discuss relevant facts with the interviewee. Archival data on board members and ownership in relevant firms were gathered in order to be familiar with the boards where my respondents were engaged at the time of each interview. Newspaper articles about relevant firms and the chairpersons included in the study were searched and studied to learn about the development of the firms where the chairpersons were working.

Paper III – Corporate governance and innovation in small entrepreneurial firms: the board chairperson’s role

Two owner-managed Swedish firms were identified and approached by contacting the chairperson and the CEO of each firm. A total of eight individual interviews with owner-managers, board members and chairpersons of the firms were conducted. Boardroom observations at two occasions were part of this study. Annual reports for five years prior to the study were gathered and studied to learn about the firms and be able to triangulate data. Newspaper articles about the two firms and the chairpersons and owners included in the study were searched and gathered to learn about the historical and current development of the firm from an external point of view. Archival data on the firms, boards of directors and owners were gathered and studied to be triangulated with other data sources available. Relevant internal documents such as board instructions, policy documents and protocols from meetings from the firm were received from the owner-managers to learn more about the structure and processes of the boards.

Paper IV – Chairpersonship and board strategy involvement in SMEs

The value creating board survey data were used in this study. A final sample of 324 Norwegian SMEs was included. Multiple responses from CEOs, board members and chairpersons were used in the study. A total of 265 questions to the CEOs, 235 to the chairpersons and 215 to the other board members were included in the survey.

Paper V – Board chairperson leadership and entrepreneurial strategic posture in firms: a conceptual model

A conceptual paper. This paper is based on theoretical discussion and relate to empirical findings of the dissertation. There are eight propositions suggested in this study.
Data analysis

The process of data analysis in this dissertation is a truly iterative process. As has been shown in this chapter regarding the methodology and processes throughout this dissertation, a mixture of interpretation, follow up, theoretical verification, reality checks and revisions of idea and thought has been going on continuously. In each paper the data analysis has been discussed individually for the study underlying the paper. In this section I set out some general reflections about the various analytical approaches applied in the studies.

The first paper, a co-authored survey of extant research on board leadership, was analysed in a very structured way with predefined categorization alternatives. Along the way, I used coding and a time dimension was entered at the end of the analysis, when we were trying to identify the trends that have been developed over the last four decades.

Although I had a great deal of communication with other scholars to share and identify relevant article to include in the review, most of the work was desk work in my office coding the articles according to the schema that we had developed in the research team.

A more social part of the work was revealed when we got into the trend analysis, when both team members checked the coding while having discussions and sometimes revising the ideas after comparisons and discussions. The analysis started with our coding schema, which guided much of the compilation of the data. This is rather mechanical work. The cognitive work started with the social part, i.e. when the team gathered to compare each researcher’s interpretation and coding with others.

The second paper, using case study approach with two owner-managed firms as cases, was a truly exciting study in which the process of analysis had already started during the meeting with the first CEO. The eight interviews were guided by the research question but turned to develop in totally different ways compared to each other. Depending on who I was talking to, the interview could take different characteristics. Thus, the transcribed interviews have been a great source to go back to and analyse time after time. The analysis in this study was very much guided by the words and ideas of the respondents. Some very new insights came through thanks to the unexpected discussions and ideas that were shared with me during these interviews. In this study the analysis was more integrated than the former study with iteration between theory and the respondents’ ideas and interpretations of the task of the chairperson.

The third study was a co-authored case study with six individual chairpersons involved. The process of analysis had already started when the pilot
interview was undertaken. The pilot interview reformulated part of the interview protocol and created some new ideas that were implemented before the second interview. This process continued throughout the study. When data saturation was reached, a summarizing phase of the analysis started. In this process, we compared our findings with the extant theory until a theoretical saturation was reached. Our discussions on how to present the result also turned out to be an iterative process, interacting with formulation of the results which reflected changes or reformulation of our interpretations. In the process of systemizing and structuring the case evidence, the research team was inspired by Herzberg and his two-factor theory of motivators and hygiene factors (Herzberg, 1966). In his seminal work, Herzberg proposed a theory based on a classification of factors relating to job satisfaction into two categories: motivators and hygiene factors. I found this approach – which in the context was unexpectedly helpful – very useful for finalizing the analysis of the results.

The fourth study was written using a deductive approach and using statistical software initiated a different data analysis process. While the research question was generated in advance, most of the writing of the article was actually done after all statistical analyses were done and tables, figures and numbers compared and discussed. However, while even in this process the analysis was about interpreting the results, the process differed much from the case study processes in the previous studies. The statistical tools presented “facts” that then were explained in the analysis with references to the theory. Sometimes, the suggested hypotheses were not found to be false; other times they were. The analysis in this context is about explaining the results with regards to the theoretical underpinnings from the field of research.

The fifth paper is based on the results from the four aforementioned articles. In this paper I discuss the results of my previous studies and conceptually suggest some propositions and a conceptual model of board leadership in entrepreneurial firms. This piece of work thus put an agenda for future research on board leadership in entrepreneurial firms in which the boards of directors are seen as an important source for the firm to build sustainable competitive advantage. The whole process of theory development in this study was based on a cognitive work that had been going on over these last four years and was expressed in the last article of this dissertation.
Summary of papers

This dissertation includes five studies and their subsequent reports as academic papers. Each of the studies contributes to the overall purpose of the dissertation to enhance our understanding of chairperson leadership and its contribution to value creation via innovation in entrepreneurial firms. In this chapter a brief summary of the five articles included in this dissertation will be presented.

All parts of this dissertation are primarily the product of my individual efforts. The initiative for all papers has been mine and I have been designing the processes of research generally. However, I gratefully acknowledge the contributions of my promotor in providing valuable feedback and suggestions in the process and co-authorship in three papers included in the dissertation.

In the first paper, the review article, I conducted a search for the articles and collected these as well as indexing and collecting the detailed data on each article. My promotor and co-author assisted me with planning, supported me in the analysis and shared the work in the writing of the first paper. We jointly assess my effort as being 70 per cent of the workload and my promotor’s effort as being 30 per cent of the workload in this study. This article was later published in the *International Journal of Business Governance and Ethics* \(^\text{12}\) (Yar Hamidi and Gabrielsson, 2014).

The second study was managed by me in its entirety with regard to design, empirical data gathering, analysis and writing, while my promotor provided advice and feedback on my text. The result was presented at the European Academy of Management 2015 \(^\text{13}\) and won a best paper award at the doctoral colloquium of the conference (Yar Hamidi, 2015b). This paper is currently in the revise and submit process for *European Management Review*.

In the work with the third article, which was based on my empirical data from interviews with six chairpersons, I collected and indexed the data. My promotor contributed advice and support in the process and assisted me in the analysis and the writing process. We together assess my effort in this work to be 80 per cent of the workload while my promotor contributed 20 per cent of the work. This article was later published in an edited book

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among works from other European and international scholars in entrepreneurship.\textsuperscript{14} (Yar Hamidi and Gabrielsson, 2016).

In the process of writing the fourth paper, a quantitative paper, my promotor contributed advice on the formulation of the hypothesis and regression analysis. He also supported and shared the writing process of this article. The workload was shared as 80/20 between us, with me being the leading author. This paper is currently submitted to the Journal of Small Business Management for publication.

The fifth and concluding study, a conceptual paper, builds and extends the findings in the four aforementioned studies of this dissertation. This article is a product of my individual efforts and outlines a conceptual framework with a research model for understanding innovation-promoting board leadership in entrepreneurial SMEs. Further, I suggest eight propositions on board leadership and its effect on board strategy development as well as entrepreneurial strategic posture in SMEs. The article is currently submitted to Entrepreneurship Theory and Practice for publication.

Alongside the articles included in this dissertation, I have co-authored one published article\textsuperscript{15} (Martina et al., 2014). Furthermore, I authored an article that was accepted for presentation\textsuperscript{16} at the RENT conference 2015. This article was chosen among the best papers of the conference to be published in the RENT Anthology 2015 (Yar Hamidi, 2015a). This article is not included in the dissertation or in the overview of the articles presented in Table 3.

In Table 3 I present an overview of research articles included in this dissertation. Each paper is presented by title, author(s) and status of publication outlet of the article, as well as the methodology applied in the study. I also set out the contribution of each writer for the co-authored articles by presenting each writer’s workload as a percentage of the total amount of work for each article to illuminate the scope of my own work in these studies as well as for the dissertation as a whole.


<table>
<thead>
<tr>
<th>p</th>
<th>Title</th>
<th>Authors</th>
<th>Status/Publication outlet</th>
<th>Method</th>
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<tbody>
<tr>
<td>I</td>
<td>Developments and trends in research on board leadership: a systematic literature review</td>
<td>Yar Hamidi, D. (70 %) Gabrielsson, J. (30 %)</td>
<td>Published in <em>International Journal of Business Governance and Ethics</em> 2014</td>
<td>Systematic literature review (139 articles)</td>
</tr>
<tr>
<td>II</td>
<td>What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?</td>
<td>Yar Hamidi, D.</td>
<td>Awarded Best paper at EURAM 2015 Currently in revise and submit process to <em>European Management Review</em></td>
<td>Case studies (two cases)</td>
</tr>
<tr>
<td>III</td>
<td>Corporate governance and innovation in small entrepreneurial firms: The board chairperson’s role</td>
<td>Yar Hamidi, D. (80 %) Gabrielsson, J. (20 %)</td>
<td>Published in <em>Handbook of Research on Corporate Governance and Entrepreneurship</em> (Cheltenham: Edward Elgar).</td>
<td>Case studies (six cases)</td>
</tr>
<tr>
<td>IV</td>
<td>Chairpersonship and board strategy involvement in SMEs</td>
<td>Yar Hamidi, D. (80 %) Gabrielsson, J. (20 %)</td>
<td>Submitted to <em>Journal of Small Business Management</em> for publication</td>
<td>Regression analysis of survey data (324 SMEs)</td>
</tr>
<tr>
<td>V</td>
<td>A conceptual model of board leadership in entrepreneurial firms</td>
<td>Yar Hamidi, D.</td>
<td>Submitted to <em>Entrepreneurship Theory and Practice</em> for publication</td>
<td>Conceptual paper (model and propositions)</td>
</tr>
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Paper I: Developments and trends in research on board leadership: a systematic literature review

The first study in the dissertation aimed to create an overall understanding and overview about the extant research on board leadership. The study was mainly reported in a co-authored article with Jonas Gabrielsson. Early versions of the article were presented among others at EURAM 2012, Norefjell corporate governance workshops and internal research seminars at the home universities of the authors. The version presented here was published in the *International journal of Business Government and Ethics* in 2014.\(^{17}\)

The article presents a systematic literature review of 139 articles on board leadership, which were published in sixty-two business and management journals since the 1980s. Journal names, author country affiliations, topics and focus levels, theories, empirical contexts and methodologies are presented and analysed in the article. The article also assembles and analyses this data thematically in order to identify and frame developments and trends in researchers’ ideas on board leadership.

The study was motivated to give the following research projects a solid ground based on the extant research on board leadership. However, while these studies individually offer theoretical and empirical insights on the issue, the accumulation of knowledge in the aggregate has been limited. Not much is known about how different research traditions and streams relate to or build on each other. As a result of this inadequacy in the contemporary research on board leadership, a systematic effort to collect, review and synthesize this research was recognized as an important and needed endeavour so that the research community would have a frame of reference for future investigations.

Our results suggest that most of the research on board leadership is primarily from the US, investigates CEO-duality at large publicly listed corporations\(^ {18}\) and uses a quantitative methodology to analyse archival data. CEO-duality, which refers to the situation in which one individual is both chief executive officer and board chairperson, and its effect on a company’s


\(^{18}\) Some 90 per cent of the 114 empirical studies were conducted at large, publicly listed corporations. The remaining 10 per cent were conducted at small and medium-sized enterprises. 

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competitiveness and performance seem to be the main concern for these studies. We found, however, that there has lately been some shift in this focus. Researchers worldwide are more and more investigating other board leadership issues, setting their studies in other empirical contexts and using different methodologies. The result is a greater diversity in the topics, contexts and methodologies as well as more internationalization of the field. 

The article also presents six different research streams that have evolved during the period of 1985–2012. These streams of research are not mutually exclusive and coexist in different periods. However, they have diverse understandings of board leadership and approach it from different theoretical perspectives.

These six streams of research on board leadership are:
1. Board reform stream
2. Money talk stream
3. Contingency stream
4. Pragmatic stream
5. International stream
6. Behavioural stream

These streams of research are also connected to the main era of their development without making any claims of exclusivity as to our suggestions but more with an emphasis on the occurrence of these trends in the literature.


This second study included in the dissertation is a case study aiming to examine the tasks of the chairperson of the board in owner-managed firms. This study is reported in a paper that in its early versions was presented, among other occasions, at Research in Entrepreneurship and Small Business, RENT 2014 and the European Academy of Management conference, EURAM 2015. The article received a best paper award at the doctoral colloquium at the European Academy of Management 2015 and is currently in the revise and submit process for publication in European Management Review.

The paper illuminates a gap between research and practice and points out that, while the majority of the research on boards of directors occupies itself with large listed companies, the majority of firms are privately held small and medium-sized firms run by their owner-managers. The purpose of this study is to examine how non-executive chairpersons might contribute to value creation in owner-managed firms.

The paper gives an account of the different perspectives on boards’ and chairpersons’ tasks and integrates some interesting evidence from the em-
empirical work conducted with the theoretical background discussed in this work.

The empirical evidence in the paper comes from two owner-managed firms through interviews with all board members including the owner-managers, chairpersons and board members. A total of eight interviews are conducted. Further data collection was performed by various activities such as board meeting observations, collections of annual reports, other archival data on firms and the individuals engaged in the firms, and newspaper articles about the firms and their development.

The study suggests that an eclectic view of corporate governance and the leadership of the board of directors might be a more fruitful approach than the prevalent view of agency theory. A short review of some other theoretical perspectives relevant to board leadership is presented and three tasks are deduced from the extant literature on the subject. These tasks for the board of directors and its leadership are controlling, advising and strategizing.

Nevertheless, the article develops a new conceptual apparatus based on empirical evidence in the case study. Four concepts that can extend our understanding of the tasks of chairpersons in the context of owner-managed firms and complement those already-existing concepts in the literature were identified. *Scrutinizing, mediating, gap-minding* and *alibiing* are the tasks that the analyses of interviews with participating respondents suggest.

This study contributes to the research on boards of directors in at least three ways. First, the four conceptual tasks and the new terminology identified in this article offer new angles to a better understanding of the tasks of chairpersons in owner-managed firms. To view and discuss chairmanship in the context of small and medium-sized enterprises and, more specifically, owner-managed firms, researchers need to develop new terminologies that can describe the different contexts in a more nuanced way and live up to the actual contingencies of each context.

Second, while viewing firms as a nexus of firm-specific resources as proposed by the team production theory, contrary to the agency theoretical view of firm as a nexus of contracts, this study finds the tasks identified in this study closely connected to the core of the theoretical understanding of the firm by team production view.

Finally, this study underlines the need for more balanced and eclectic studies of boards of directors to develop a close and relevant understanding of how boards’ and chairpersons’ tasks evolve.
PAPER III: BOARD CHAIRPERSONSHIP AND INNOVATION IN GROWTH ORIENTED FIRMS

The third study in this dissertation was presented in a co-authored paper with Jonas Gabrielsson and, in its early versions, at conferences, among other occasions at Research in Entrepreneurship and Small Business, RENT 2013 and the European Academy of Management conference, EURAM 2014. The version presented in this study was published as a book chapter in an edited book on the subject.  

The paper aims to create a framework for the promotion of innovation through effective board chairpersonship in growth-oriented firms. Relying on extant research, the paper illustrates the important role of boards and board leadership for nurturing innovation and unleashing the full value-creating potential of boards in firms.

Team production theory is applied as the theoretical lens through which we discuss value creation and innovation in the firm in this paper. The study is developed as a case study with six chairpersons participating in interviews, with the research team sharing their ideas about chairmanship and innovation in firms. The six chairpersons together have experience from a total of seventy-five firms and were at the time of the study chairpersons on twenty-six boards of directors. The main source of data was thus face-to-face interviews but data such as annual reports and statistics and news about the firms were also gathered from archives and newspapers.

The core of our attention in the interviews was the participating chairpersons’ experience of the generation and adoption of innovations directed by boards of directors and under the leadership of the board chairperson.

Our results are conclusive. The case evidence suggests that effective structures, processes and a supporting culture for teamwork must be in place for a board to be able to perform its task properly. However, to contribute to the innovativeness of the firm a board needs to use all its embedded competence through constructive cognitive work and exchanges of knowledge and experience between management and the board as well as between board members themselves. The chairperson of the board has the prominent task of ensuring that all building blocks identified in this study are developed and in place to secure the excellent climate for fruitful cognitive conflicts and knowledge exchange. These building blocks comprise: sound and supporting board structures; well-developed and collaborative processes; integ-

rity and a cohesive culture; and a proactive and knowledgeable cognitive work sponsored by the chairperson of the board.

This study underlines the chairpersons’ ability to utilize other board members’ knowledge and creating cohesiveness and a culture of knowledge sharing could be more important than the chairpersons’ own firm-specific knowledge and experiences.

In addition to this, we specify and describe the dimensions that relate to each building block in this paper. These dimensions are discussed and positioned based on our case evidence and with reference to prior research by scholars in organization and corporate governance research.

Our presented framework in this paper emphasizes that innovation-driven chairpersonship is based on four building blocks, which can be classified as either enablers or energizers. Enablers are the building blocks that ensure the practice of effective board chairpersonship. An effective board of directors will in this respect provide strategic advice and act as a mediating hierarchy in order to organize the firm as an economic entity where shareholders among other stakeholders will invest firm-specific assets to contribute to the development of the firm. However, it is only by developing energizers that the board chairperson will develop the board into an innovation-driven board, which performs over and above ordinary levels of performance. The findings thus suggest that innovation-driven board chairpersonship is not something fundamentally different from ordinary board chairpersonship aimed at developing a well-functioning board. Rather, innovation-driven board leadership is based on adding energizers on top of ordinary board chairpersonship based on activities that open up and challenge the cognitive aspects of the board’s work. The energizers are basically the tools, models and activities to further develop the cognitive work of boards.

Paper IV: Chairpersonship and board strategy involvement in SMEs

The fourth study conducted in this dissertation is a quantitative study based on data collected in the value creating board survey in Norway. The study is reported in a co-authored paper together with Jonas Gabrielsson.

Through theoretical reasoning we develop four hypotheses that are then tested through a quantitative analysis on data collected from the Norwegian value creating board surveys conducted in Norway between 2005 and 2006. The survey method is motivated by the lack of process data on behavioural aspects of boards of directors in the extant research and our desire to avoid secondary data as a proxy for board processes.
The data set used in this study is unique in its focus on validated scales related to behavioural aspects of actual board work developed by corporate governance scholars in several countries over many years. Our final sample of 326 cases, with complete and accurate data that could be used in our statistical analysis, corresponded to 63 per cent of the initial sample of SMEs included in the original dataset.

The four hypotheses examined in the paper are as follows here:

H1: There is a positive association between chairpersons’ leadership efficacy and board strategy involvement in SMEs.

H2: There is a positive association between chairpersons’ board experience and board strategy involvement in SMEs.

H3: There is a positive association between chairpersons’ industry experience and board strategy involvement in SMEs.

H4: There is a positive association between chairpersons’ firm-specific knowledge and board strategy involvement in SMEs.

A metric measure is used regarding the dependent variable and several metric and binary independent variables in our research model, since we chose to apply a linear multiple regression analysis to test our hypotheses. The linear regression analyses for our three models were conducted in steps to capture the contribution of each set of variables to the model significance.

Our analysis reveals that our first hypothesis (H1) regarding chairperson leadership is supported for significance level $p = .10$ in the regression analysis in our model, indicating a moderate effect on board strategy involvement by leadership of the chairperson. However, our second hypothesis (H2) is supported strongly ($p < .01$) and indicates that there is a strong positive association between chairperson board experience and board strategy involvement in SMEs. Our third hypothesis (H3) shows a negative relation if we consider a significance level of $p < .10$ and indicates a moderate negative association between chairperson industry experience and board strategy involvement. The fourth hypothesis (H4) is also supported in the analysis ($p < .05$), indicating that there is a positive association between chairpersons’ firm-specific knowledge and board strategy involvement in SMEs.

This study, thus, reveals the importance of chairpersonship’s effect on boards’ strategy involvement, which in turn is an indicator of firms’ innovative potential (Drucker, 1998, Teece et al., 1997, Zahra and Covin, 1995). The leadership of the chairperson shows a positive but moderate effect. Chairpersons’ firm-specific knowledge seems to be of importance in triggering the strategic involvement of the board. Chairpersons’ firm-specific knowledge moderates the information asymmetry (Markman et al., 2001).
between the CEO and the management team and the board and thus makes boards’ strategic involvement more probable.

On the contrary, previous industry experience seems to be a moderate threshold for strategic involvement by the board. We assume that chairperson experience of the industry leads to acceptance of industry prevalent norms, which are also usually sponsored by the CEO and the management team. Consequently, questioning by the board of proposals in alignment with status quo are more accepted in this setting.

Paper V: A conceptual model of board leadership in entrepreneurial firms

This paper outlines a conceptual framework with a research model for understanding innovation-promoting board leadership in entrepreneurial small and medium-sized enterprises (SMEs). The framework and research model depicts the behavioural aspects of board leadership and how these are related to strategy development and the entrepreneurial strategic posture of entrepreneurial SMEs. The article suggests eight propositions regarding the effect of board leadership on entrepreneurial firms as follows:

P1: Chairpersons’ leadership efficacy is positively related to board strategy involvement in entrepreneurial SMEs.

P2: Chairpersons’ firm-specific knowledge is positively related to board strategy involvement in entrepreneurial SMEs.

P3: Chairpersons’ involvement in the gap-minding task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P4: Chairpersons’ involvement in the alibiing task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P5: Chairpersons’ involvement in the scrutinizing task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P6: Chairpersons’ involvement in the mediating task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P7: Greater chairperson industry experience is negatively related to firms’ entrepreneurial strategic posture.

P8: Greater chairperson industry experience is negatively related to boards’ strategy development.

These propositions are presented and discussed in a conceptual model of board leadership on entrepreneurial firms and have several implications.

A primary theoretical implication is that board leadership tasks might be seen as a predictor of firm entrepreneurial posture while a new terminology is introduced to illuminate the work and tasks of the chairperson in entre-
preneurial firms. Board leadership effect is thus presented as an important factor in searching for development paths in entrepreneurial firms.

A second theoretical implication from the findings is that board development towards value-creating is about more than effective board work. In the discussion about value-creating boards and the proposed model for board development, I contend that beyond board effectiveness there is a need for important cognitive work in boards. This might be the most important contribution of a chairperson to establish board work that aligns the cognitive contributions of the individual board members with a collective board contribution in entrepreneurial firms.

A primary managerial implication for the model is that entrepreneurial firms with boards consisting of family members and owners might have some incentives to reconsider the composition of their boards. A second managerial implication is the process of searching for external board members and chairpersons of the board. My propositions argue for a strong positive effect of firm-specific knowledge while extensive industry experience might have a reverse effect on the entrepreneurial posture of the firm.

Conclusions

The overall purpose of the dissertation is to enhance our understanding of chairperson leadership and its contribution to value creation via innovation in entrepreneurial firms.

Based on this overall purpose, the specific research questions guiding this study are as follows:

I What are the developments and trends in research on board leadership?
II What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?
III What are the key concepts of board leadership for the promotion of innovation in entrepreneurial firms?
IV How do chairpersons’ leadership and qualifications influence boards’ strategy involvement in SMEs?
V How does chairpersons’ leadership influence the entrepreneurial posture of small firms?

This chapter will summarize the findings of the five papers included in the dissertation and give an overview for the results from each individual study to the overall purpose of the dissertation. The articles connected to each study were briefly summarized in the previous chapter and will follow in full in the coming chapters, following the presentation of my conclusions,
theoretical and practical contributions, suggestions for future research and a few concluding remarks. The fifth paper in this work is a conceptual paper based on the results of the other four studies, conceptualized in a model for board leadership in entrepreneurial firms, and presents a few propositions regarding board leadership in entrepreneurial firms. The last paper thus concludes my work by suggesting new avenues for research on board leadership in entrepreneurial firms.

Discussion and results

This dissertation has identified, developed and empirically tested concepts associated with chairpersonship in entrepreneurial firms using a multi-methodological approach in five papers comprising a literature review, three empirical studies (including two case studies and a survey data study) and a conceptual concluding paper. The focus of this work has been on value creation in entrepreneurial firms and the contributions of board leadership in the board of directors as an internal governance entity in SMEs. More specifically, I have examined and developed theories about how board chairpersons through their board leadership can contribute to the development of innovation-driven board work in entrepreneurial firms. This work contributes to innovation and governance research, theory and practice in several ways.

Conclusions and implications are based on a comprehensive literature review, several case studies and an examination of theoretically derived hypotheses. This multifaceted dissertation, comprising different methodological approaches, diverse data sources and systematic research processes, presents four main conclusions and eight theoretically and practically relevant propositions integrated into a model of board leadership in entrepreneurial firms.

First, the findings suggest that research on board leadership needs to develop into a more context-conscious manner, taking into account both contextual and methodological aspects of the research on board leadership. Contingencies seem to be an important part of the sense-making process in research on board leadership. This has not gained due attention in the extant research when most of the prior research engages itself with large, public corporations and the structural aspects of board leadership, that is, whether the CEO also holds the chairperson position in the firm. To understand how board leadership can contribute to the development of entrepreneurial firms, we need to use different methodologies and consider each context’s specific conditions and needs. There is also a need for new theoretical perspectives when researching board leadership in contexts other than the large, public
Anglo-American corporations. I suggest a team production approach as a possible and intuitive alternative to the prevailing agency theory when examining board leadership in entrepreneurial firms.

Second, I identify a set of chairperson tasks in owner-managed entrepreneurial firms using alternative theoretical perspectives and a new vocabulary. In explaining how board leadership works and develops towards an important feature in advancement of entrepreneurial firms, I have, in line with the first finding above, taken into account the important contingencies of owner-managed entrepreneurial firms and applied an alternative theoretical perspective (team production theory), while closely examining the tasks that the chairpersons actually engage in. This has resulted in the identification of a set of tasks that differ from what has been discussed in prior research on boards and board leadership. The set of chairperson tasks identified in my study includes scrutinizing, mediating, gap minding and alibiing, and considers the specific challenges of owner-managed entrepreneurial firms when recruiting external chairpersons to their boards. These tasks have implications for both theory and practice around the field of board leadership.

Third, the findings in this dissertation suggest that innovation-driven board leadership builds on two different sets of critical factors. First, a sound base for the work of the board of directors is needed to carry on with the board’s task completion (i.e. the board must have the prerequisites for effective board work in place). This is about having the so-called hygiene factors of board work in place. In the context of board of directors, these are about having appropriate structures for the board work; developing effective processes for the board’s work and information to flow well and proceed smoothly; and nurturing a culture of cohesiveness and generosity in the boardroom for all board members to participate in the board work with integrity.

However, while this will build the necessary conditions, it is not sufficient for the board to develop into an innovation-promoting board of directors. There will also be a need to add a crucial cognitive aspect to these hygiene factors (structures, processes and culture) to further the board work to promote innovation in the firm. That is what I refer to as energizers. Energizers are the cognitive aspects of board work. These are prerequisites to advance the board to the level of an innovation-driven board and they call for all board members to have appropriate knowledge in relation to the firm and be willing to share their knowledge with the board. Board directors also need to engage in constructive cognitive conflicts and participate in strategy development within the firm. In this context, the role of the chairperson
differs greatly from the traditional and prevailing perspective of shareholder
primacy, in which focus has been on the control function of the board, en-
gaging in the protection and distribution of value and thus reducing the
chairperson’s task to monitoring CEO and senior management decisions and
conduct. By nurturing and adding the cognitive aspects of board work, the
chairperson will draw the board’s attention to the value-creating potential of
the board and thus contribute to the development of the entrepreneurial firm.

Fourth, this dissertation’s results suggest that chairperson leadership and
prior board experience, as well as firm-specific knowledge, contributes to
boards’ strategy involvement in firms. A board of directors’ involvement in
strategy is proven to be of great importance for growth and innovation in
firms (Nielsen and Huse, 2010, Pugliese et al., 2009, Zahra and Pearce,
1990). At the same time, the chairperson’s extensive industry experience
shows a reverse relationship with the board’s strategy involvement in the
firm. Chairpersons’ extensive industry experience, especially from success-
ful firms, may limit the use of boards’ knowledge when the industries’ tak-
en-for-granted measures are accepted by the chair and affect the discussion
of the board by posing as “the rules of the game” (Cliff et al., 2006).

These findings will have implications for the theory and practice of board
leadership and provide practical direction for how the recruiting of chairper-
sons may affect firms’ tendency to innovations and development of entre-
preneurial firms.

Finally, based on the results from the four aforementioned studies, I
synthesize contemporary theory and research on innovation, entrepre-
neurship and corporate governance as a means to build and present
a conceptual framework and a research model of how chairperson’s leader-
ship influences the entrepreneurial strategic posture of SMEs. The
framework and research model explicitly identify theoretical relationships
embedded in the literature and thereby open up for academic debate and
further research the links between the board chairperson, board development
practices, the firm’s entrepreneurial stratgic posture and firm performance.

I conclude the fifth and last paper of this composite dissertation with
eight propositions and suggest new research avenues to enhance our under-
standing of chairperson leadership and its contributions to value creation in
entrepreneurial firms.

In the following section I will present the results of the individual studies
in relation to each of the research questions of this dissertation.
What are the developments and trends in extant research on board leadership?
To answer this fundamental question and clarify the current state of the subject of this work, board leadership, a systematic review of the extant literature and research on board leadership was conducted. This review reveals a skewed focus in extant research, resulting in a misfit between research and practice in board leadership, as most of the firms worldwide are small and medium-sized firms. The focus on the Anglo-American context and large public companies makes the results from most of the research on board leadership inadequate for many other contexts, such as firms in non-Anglo-American countries, firms in non-Anglo-American legal systems, small and medium-sized firms and owner-managed firms.

Moreover, the methodological narrowmindedness in previous research, notoriously using archival data and non-relevant proxies such as the so-called “usual suspects”\(^{20}\) (Finkelstein and Mooney, 2003) to explain the effects of board leadership on firm performance, is shown to be practically useless (Daily et al., 2003, Dalton et al., 1998). Hence, I claim that, in order to be able to open up the black box of board leadership, research needs sources of data other than the second-hand archival data often used in previous research. First-hand process data on boards and their leadership and new methodological approaches are fundamental to be able to answer questions on board leadership’s effect on firms’ innovation potential.

Identifying emerging trends in the extant research, the first study of this dissertation confirms the strength of using different theoretical perspectives and nuances when researching board leadership with regard to the contextual aspects of the firm. The review confirms a trend towards more behavioural studies and a growing interest for governance of small and medium-sized enterprises, which also constitute the core focus of this dissertation.

What actual tasks do chairpersons in owner-managed entrepreneurial firms engage in?
Findings from the second study suggest a need for a new terminology of chairperson tasks that fits contexts other than the large public company with dispersed ownership. Relaxing the preconceptions of agency theory (Huse et al., 2011a), in this study I found new avenues in considerations of the tasks of boards of directors and chairpersons of boards in team production theory.

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\(^{20}\) The usual suspects of board research are the number of outsiders on boards, director shareholdings, board size and whether the CEO also holds the chair position (CEO-duality)
The findings highlight the importance of chairperson leadership in a team production setting and open up research on qualities and talents of the chairperson other than the traditional focus on independence from the management team as elevated by agency theory (Daily and Dalton, 1997a, Huse, 1990, Gabrielsson and Huse, 2004c).

In this study, I develop a new conceptual terminology based on empirical evidence in my case studies with regard to chairpersons’ tasks in owner-managed firms. Scrutinizing, mediating, gap-minding and alibiing are concepts related to the reality of chairperson tasks in owner-managed firms. The four concepts can extend our understanding of chairpersons’ tasks in the context of owner-managed entrepreneurial firms and complement the already-existing notions in the extant literature. This new terminology will open up and create new avenues for discussing and understanding chairpersonship and its tasks in the context of owner-managed entrepreneurial firms.

What are the key concepts of board leadership for the promotion of innovation in entrepreneurial firms?

The third study in this dissertation develops a model of board development towards an innovation-promoting board of directors. The study suggests a concept containing four building blocks for innovation-driven board work, in which structures, processes and culture in the boardroom make up enablers for the board to perform its tasks efficiently. However, to move further to the state of an innovation-promoting board the chairperson must develop the cognitive work of the board and its directors. It is this crucial fourth building block that separates effective boards from innovation-driven boards.

The findings suggest that the relationship between various board leadership practices and the development of innovation-promoting boards in small entrepreneurial firms is, to a large extent, embedded in complex systemic processes. In this respect it is proposed that some factors (enablers) are building blocks for well-functioning boards while other factors (energizers) create a building block for developing innovation-promoting boards. Both sets of factors are thus necessary, but not individually sufficient building blocks for innovation-promoting boards.

The model emphasises the importance of chairpersons’ leadership through cognitive processes. While facilitating structures, appropriate and efficient processes and a team production culture in the boardroom are considered prerequisites for effective board work (and the chairperson’s responsibility to create), it is the cognitive processes of the board that are es-
sential and necessary for the creation of an innovation-promoting board of directors.

The chairperson must, though, succeed in encouraging board members to share their knowledge with the board, to engage in cognitive conflicts\textsuperscript{21} with the CEO and other board members and to contribute in development of strategies that make the firm innovative.

How do chairpersons’ leadership and qualifications influence boards’ strategy involvement in SMEs?

In the fourth study, based on survey data analysed by regression analysis, the focus is on four theoretically derived hypotheses and empirical evidence from 324 small and medium-sized firms to answer the fourth research question of this dissertation. The effect of these four variables related to the chairperson on boards’ strategy involvement in firms is examined. These variables are the chairpersons’ leadership efficacy, prior experience from relevant industry, firm-specific knowledge and prior board experience.

The evidence suggests that chairperson leadership, firm-specific knowledge and prior experience from board work are positively related to the boards’ strategy involvement in the firm. On the contrary, prior industry experience seems to have a reverse relationship with boards’ strategy involvement. This suggests that chairpersons’ prior understanding of the industry might constitute a barrier against introducing new and novel ideas as strategy and hence preserve the old proven truth of the industry as the firm’s future strategy.

Going beyond the traditional approach of studying structural arrangements surrounding governance and boards of directors, these findings contribute to theory on boards of directors by emphasizing behavioural processes and relational dynamics for understanding and explaining board- and firm-level outcomes.

This study advance current conceptualizations within the behavioural approach on boards and governance as it theorizes how chairperson behaviours might explain variations in board strategy involvement. In line with this theorizing, the findings provide ample support that the experience and leadership behaviours of the chairperson have a significant, non-trivial impact on the extent to which boards are involved in strategy development in firms.

\textsuperscript{21} Cognitive conflicts are about processes that enhance the quality of groups’ decision-making in contrast to affective conflicts that have opposite effect in decision-making (Forbes and Milliken, 1999)
Theoretical conclusions

This dissertation contributes to the research on boards and innovation in at least five ways. First, while the research on governance and innovation is in its infancy, the extant research on board leadership has mainly focused on the sole question of CEO-duality, which in practical terms precludes innovation from the agendas of boards of directors and their chairpersons. This is a result of the overwhelming reliance on agency theory (Fama, 1980, Jensen and Meckling, 1976a) in governance research for more than three decades and the fact that boards of directors have been seen as black boxes in prior research (Huse, 2005b, Gabrielsson and Huse, 2004c).

This dissertation, by identifying innovation as the prime driver of entrepreneurial firms and as a part of the responsibilities of the board of directors, places innovation as a permanent topic on the agenda of entrepreneurial firms and their boards of directors. This argument is rooted in team production theory as discussed in this study, contrary to the prevalent paradigm of agency theory. The team production approach defines the role of the board of directors as acting to secure that continued firm-specific investments take place by all critical stakeholders in the firm in order to build a strong resource base and create a sustained competitive advantage in the firm (Blair and Stout, 2006). This is well aligned with innovation processes in firms, which are mainly characterized by three elements: (a) specificity of investments, (b) uncertainty about the result and (c) the impossibility of anticipating future returns (Belloc, 2012).

This dissertation thus introduces team production theory to the context of small and medium-sized enterprises, in which boards of directors can contribute to innovation while demonstrating the benefits of an eclectic theoretical approach to dismantle the fortress of old and non-productive research paths (Daily et al., 2003).

Second, the findings in this dissertation advance our understanding of the importance of contextual issues in regard to the work of the chairperson. My results present some new perspectives on chairperson tasks and what boards of directors are expected to do in owner-managed firms. The chairperson tasks seem to differ substantially from what has been presented by extant research on boards and board leadership, where a focus on the control task has prevailed. On the contrary, in the context of owner-managed firms the control task is not what is expected from the chairperson but other tasks emerge while a need for control by the chair fades out. By introducing new concepts and taxonomies about chairperson tasks, this work paves new paths for future research on board leadership in entrepreneurial owner-managed firms. The findings are related to behavioural aspects of chairper-
son work and are integrated in a team production perspective with regard to the investment of firm-specific resources and chairpersons’ responsibility to promote it among all shareholders.

Third, the results in this dissertation suggest the importance of cognitive work on boards of directors to enhance the entrepreneurial firms’ capability of innovation. In this context the tasks and conduct of the chairperson of the board are not the same as emphasized in the extant research on board leadership, where only a tiny fragment of the research has been on small and entrepreneurial firms. By putting innovation on the agenda of the board, the chairperson will need to create a team production culture (Huse and Gabrielsson, 2012) in the entrepreneurial firm’s boardroom. This is not about chairperson independence or control task but about making use of existing knowledge and experience among the board members and aligning the board’s contributions in the boardroom towards innovation.

Establishing effective board work in this context demands relevant structures, processes and a culture of collaboration and cohesiveness in place in the boardroom. However, this study suggests that effective board work is not the same as an innovation-driven board work. The distinction between effective boards and innovation-driven boards opens up new theoretical insights in research on boards by emphasizing the need for the cognitive aspects of the board work. An integration of new methodologies and theoretical perspectives are in this respect an important part of a board’s development process.

The notion that there are two different sets of activities and processes (building blocks) that create effective boards or innovation-driven boards creates new theoretical and empirical perspectives on board development activities for future research.

Fourth, the results in this dissertation imply that chairperson leadership has significant effects on boards’ work towards a more strategic agenda for the firm. Board strategy involvement is proven to be of great importance for growth and innovation in firms (Nielsen and Huse, 2010, Pugliese et al., 2009, Zahra and Pearce, 1990). The results suggest that board leadership, and chairpersons’ firm-specific knowledge and prior board experience are positively relevant factors for strategy involvement in firms. These findings emphasize the importance of chairperson behaviour in respect to firms’ development towards innovation and the creation of competitive advantage.

Finally, by synthesizing contemporary theory and research on innovation, entrepreneurship and corporate governance this dissertation presents a conceptual framework and a research model of how chairperson leadership influences the entrepreneurial strategic posture of SMEs. The framework
and the research model explicitly identify theoretical relationships embedded in the literature and thereby open up for academic debate and further research the links between the board chairperson, board development practices, the firm’s entrepreneurial strategic posture and firm performance. In this respect, the framework and research model include a number of propositions that can be debated and validated through further empirical studies. The framework and the research model can also be used as a basis for understanding and developing innovation-promoting boards in entrepreneurial SMEs.

This dissertation thus challenges existing knowledge and practice about board leadership and move focus towards a behavioural perspective while complementing research on governance with new theoretical insights about the contextual aspects of board leadership. Board leadership is understood through the work of the chairperson, on the ground of team production theory and a value creation perspective. The core in this reasoning is the importance of identifying chairpersonship as a crucial and significant factor in endowing the firm with tools and prerequisites to develop into an entrepreneurial firm.

Practical implications

Entrepreneurial firms often operate in complex and turbulent environments, which in turn call for a need for responsive governance structures that can aid their development and growth (Zahra, 1996, Sanders and Carpenter, 1998). This study presents an empirically grounded theoretical framework with the potential to inform scholars and practitioners how to promote effective chairmanship in owner-managed firms.

The findings in this dissertation provide actionable knowledge for practitioners and policymakers to create a fertile ground for the formation of entrepreneurial firms. For small and medium-sized firms’ owners, this study will bring about some straightforward arguments for why they should employ external chairpersons with relevant knowledge and board experience in their firms.

This study also furnishes practitioners with advice on the qualifications and processes that would help them to develop their board work to the level of innovation-promoting boards. Identifying the right individuals for the position of chairperson in entrepreneurial firms is often a delicate task with hitherto no scholarly assistance. The findings in this work might shed some light on what to search for and how to establish effective and innovation-promoting board work in small and medium-sized firms.
For owner-managers, the practical perspective of this research gives a ground for developing their outlooks and creating relevant expectations to be fulfilled by potential external chairpersons.

The findings are also of interest for policymakers in order to identify accurate measures to support entrepreneurial firms to develop their capabilities through the contributions of innovation-driven boards. These measures could turn out to be complementary to the traditional measures of supporting individual innovation projects, as has often previously been done by supporting authorities. By empowering the firm to act in a more innovative manner and nurturing innovativeness in the organization as part of the work of boards of directors, the effects of the support given to SMEs to act in an innovative way should be multiplied.

Further, findings may be integrated in training programmes for owners and owner-managers, board members, investors and other relevant target groups among firms to be trained in innovation-driven board work and learn more about chairpersonship and the qualities and processes required to perform this essential role in the entrepreneurial firms’ contexts.

Suggestions for further research

Each of the five articles included in this dissertation has given ideas and suggestions on new avenues of research to develop our understanding of entrepreneurial firms and chairpersonship. There are various directions to be suggested and I will emphasize three directions here. First I would suggest subsets of entrepreneurial firms as interesting contexts for research on board leadership and innovation. Second, it might be fruitful to examine the findings of this dissertation among large and public firms. Third, it is interesting to examine the effect of board leadership in two different aspects of innovation, namely the generation and/or adoption of innovation in firms.

Specific context inside the broad category of entrepreneurial SMEs

The three empirical studies conducted in this dissertation have all focused on small and medium-sized firms. However, these firms are a heterogeneous group of firms. One of the largest categories in this general group (SMEs) is family firms. The family firm context has its own distinctive characteristics and deserves special attention when it comes to questions of governance. Another interesting category is high-tech firms. These entrepreneurial firms might show different needs in their governance models and request different contributions from their boards than other firms in the large category of entrepreneurial SMEs. Therefore, I found more and focused research on the
characteristics and needs of board leadership in different sub groups of SMEs in this context to be highly interesting for both research and practice.

**Large and public companies**

It is also essential to the research on innovation and governance to test the findings of this dissertation in the context of large corporations. The important role of the chairperson in SMEs, as suggested in this dissertation, might be true for large corporations as well. However, development of board work in large corporates might have other challenges and paths than the ones discussed in this research and is to be examined and verified in relevant empirical studies and research. This notwithstanding, the sole focus on CEO-duality and value protection and distribution might remove boards’ focus from value creation in large firms as well as small and medium-sized firms. Since the results of the research on board leadership with a traditional focus have been inconclusive, it might be productive to use the premises of my work in large corporations to create new openings and avenues for board leadership research in the corporate context.

**Generating and adopting innovations**

In the studies included in this dissertation, my definition of innovation has included both the generation and adoption of innovations. Nevertheless, it would be interesting and a relevant contribution if the effect of chairpersons’ work could be related to one of these two categories of entrepreneurial behaviour, namely generation or adoption of innovations in firms.

Research on entrepreneurial firms might, by integrating these strategies in the research design, be able to identify the potential characteristics of each category in regards to chairpersons’ tasks and leadership.

**Concluding remarks**

Taken together, this dissertation has generated concepts that aim to enhance our understanding of chairperson leadership and its contribution to value creation via innovation in entrepreneurial firms. Its findings both challenge and complement the extant research on board leadership and may be of value to both the research and the practice of board leadership in small and medium-sized enterprises.

Although this dissertation can be conceived of as a novel approach that results in a better understanding of board leadership, it is fair to admit that this research is not without limitations. The findings might not be generalized to all firm contexts due to the choices of the empirical contexts in the
included studies. To further develop these findings to apply to other contexts, we also need to test the results in other relevant settings.

When using case studies, it is always tempting to add more cases to get more generalizable results. However, in this dissertation, like many others, I used a limited number of cases, which also limited my scope to a certain extent. Application of the chosen research design on larger samples might strengthen the findings. Access to process data about board work is, though, a real challenge for the governance researcher. This is both a result of the character of the board’s work and the mystique around it but also the bottleneck of time for board members, who are usually very busy individuals, to make them available to a researcher. However, thanks to a great network of engaged scholars and practitioners, I succeeded in establishing fruitful collaborations with firms and professional chairpersons who made this research possible, collaborations that I hope will endure and prosper. Though, as a wise man once said, this is not really the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.
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Appendixes:

Appendix A: Sample of a thematic interview guide in the case-studies in this dissertation

Here I will illustrate the main themes that have been covered in the interviews undertaken in this dissertation. When appropriate I have used what, who, where, why, when and how questions for guiding my initial questions when needed (see Pettigrew et al., 2001). Questions have occasionally been adapted depending on the respondents answer, or other contextual circumstances. Additional follow-up questions have been asked, which are not included in this thematic sample of the interview guide.

All respondents were informed beforehand about the aim of the study; however, all interviews started with a brief explanation about the purpose of the interview. The interviews were recorded and transcribed to make the process of analysis more structured.

Personal information about the respondents

- Please tell me about
  - Your education background
  - Earlier work experience
  - Earlier board experience and other relevant positions

- If you are an owner please
  - Explain the ownership of the firm
  - The existing relations
  - Your responsibilities in the firm
  - Your vision about the future of the firm
  - Your general idea about the board of directors

- Please discuss the value of your background and experience in your current work
  - Give examples
  - Relate to your board positions
  - Relate to firm you have or have had board positions in

- Please explain how you choose the firm you engage in and how do they find you
  - Your network
Family bands
Friends
Professional channels etc.

Your understanding of the tasks of the board and the chairperson
- Discuss your contribution into the board work in firms you engage in
  - As board chair
  - As board member
- How do you understand the role of the chairperson in boards and in firms
  - Control
  - Strategy
  - Advice
  - Etc.
- What do owners in owner-managed firms expect the chairperson to do
  - Help with strategy? How?
  - Safeguarding finances? How?
  - Control? why? How?
  - Etc.
- How active are boards you are engaged in? How can it be nurtured?
- Explain how board can be empowered to be active?
- What is the responsibility of boards of directors for innovation in firms?
  - Please explain if it is a relevant question or innovation is for the organisation to take care of? Why?
  - How can boards work to promote innovation?
- Explain how board can be empowered to promote innovation in firms?
- How do the boards you are engaged in work with strategy?
- Questions to owners:
  - How can the board and the chairperson contribute to strategy development?
  - What does your chairperson do?


- What do you expect him to do?
- How do you choose the chairperson?
- Etc.

**Questions to CEOs:**

- Tell me about the firm
  - the business, the business model,
  - Figures and markets etc.
  - innovation
  - strategies
  - strategy development processes
  - Owner structure
  - Industry and its structure
  - Competition and challenges

- What about the board
  - Board composition
  - tell me about the background of the board members as you know them
  - how do you experience the competence of each board member and the board as a whole
  - your collaboration with the board
  - structure of the board work
  - board’s processes

- what about the chairperson
  - competence
  - relations
  - trust
  - tasks
  - leadership
  - decision-making
  - responsibilities
  - etc.
On innovation

- Have you in firms you engage in been developing new idea or behaviour, pertaining to a product, service, device, system, policy, or program, which was new to your firm/organization? Please explain!
- Do you have any topics related to innovation on your board agenda? Explain!
- Are the boards you are engaged in involved in strategy development in firms?
- How are you promoting strategy involvement? Please give examples!
- Are you engaged in developing the board work? How? Explain!
- Explain how you get the best out of your board!
- Explain how you get the best out of your board members!

What are important aspects of board work to succeed with innovation in firms?

Appendix B: Inspiration sources throughout the research process

The sources presented in this section are not used directly in connection with the studies conducted in this dissertation. However, I have gained insights into the overall understanding of entrepreneurial firms and their governance through these interactions. Some seminars have been excellent opportunities to discuss my findings and get feedback from peers; other occasions have been about briefing ideas with practitioners and other relevant sources. Altogether, these occasions among others have in one way or another been important ingredients in the development of this dissertation.

Interviews

- Ten interviews with actors on the national Swedish scene regarding entrepreneurial firms were conducted in a project initiated by the Swedish innovation agency. 22 The interviews focused on questions

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22 Vinnova is Sweden’s innovation agency. Its mission is to promote sustainable growth by improving the conditions for innovation, as well as funding needs-driven research.
such as financing, policy-making, supporting, innovation and exporting to discuss what kinds of SMEs have the potential to be equipped with the tools to develop innovation-driven boards of directors.

- Interviews with eight participants in an advanced training programme for chairpersons (arranged by the Swedish Academy of Board Directors) about what there is to learn about chairpersonship and general reflections on the possibilities for individual development as chairpersons of boards. The respondents were all chairpersons of SMEs who were attending a six-day training programme and seminars to develop their work and build networks with other chairpersons.

Workshops and seminars

- Five attendances at the Norefjell workshops on value creating boards, at which the research questions of this dissertation were discussed thoroughly. These annual workshops are arranged by the Corporate Governance SIG of the EURAM community and include both European and other scholars interested and active in corporate governance research and research on boards of directors. (January 2012–2016).

- Attendance at a three-day workshop on corporate governance research in Brussels (March 2012). This is a workshop about boards and corporate governance from strategic management, entrepreneurship and organizational behaviour perspectives.

- A research proposal seminar at which the early ideas of this dissertation were formally discussed. The seminar was arranged at the University of Halmstad by the Center for innovation, entrepreneurship and learning research (April 2013).

- Seminar presentations of different versions of the studies in this dissertation in local seminars at universities of Borås, Lund and Stockholm.

- Attendance to a three-day workshop on value creating boards at the University of Witten/Herdecke. The seminar was designed using a research tradition exploring boards of directors within a strategy, entrepreneurship and organizational behaviour perspective. (July 2014).
Attendance and paper presentations at conferences

12. International Corporate Governance Society inauguration Conference, ICGS 2015, Copenhagen, Denmark. Paper presentation

Evaluation of advanced professional training for board chairpersons

During autumn 2014 I participated as an observer and an evaluator in an advanced training programme for chairpersons in private SMEs arranged by the Swedish Academy of Board Directors. Twenty participants, all with extensive experience as board members as well as chairpersonship and other top management positions attended this six-day training programme to learn
more about chairpersonships. I was awarded access to all material for the training. The training was structured in three two-day sessions. In addition to observations, interviews were conducted with eight of the participants with several chair positions. The interviews were informal and semi-structured and had their departing points in some of the ideas that were brought around during the discussions at the training programme. Five follow-up telephone interviews with some of the participants in the study were conducted later. A thorough evaluation report was the result of this work but also gaining deep insights into the work of chairpersons in SMEs came along as a by-product.

Dialogues with board members and executives participating at training programs

- During 2012–2016 I led more than twenty occasions of two-day training programmes for board directors in different regions in Sweden. Running these programmes I had the opportunity to discuss my research findings with practitioners in the same category of firms that I was studying and to get instant feedback on my emergent ideas and results.
- More than 300 participants, mostly owners, managers, board members and chairpersons of SMEs have attended these programmes and participated in the discussions. These opportunities have been great possibilities for me to deepen my understanding but also to brief my findings with practitioners, lawyers, accountants, bank officers and others participating at the training programmes.

Relevant research and innovation projects

I have been involved in three research projects focusing on innovation and governance over the course of my doctoral studies. These projects have given me new insights at national and international levels and have broadened my perspective markedly.

1. Innovation-driven board of directors (first phase) at CIRCLE, Lund University (March 2013–March 2014). The project was funded by VINNOVA. The project aimed to examine the possibility of development for boards of directors in the SME sector in Sweden.
2. Innocast. The project aims at addressing the need of Central Asian universities to develop a sustainable, experience-built and user-

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23 VINNOVA is the innovation agency of Sweden.
centred infrastructure for catalysing innovation in the knowledge triangle. Funded by the EU. (January 2015, ongoing)

3. Innovation-driven board of directors (second phase) at CIRCLE, Lund University (February 2015–December 2015). The project was funded by VINNOVA. The project aimed to suggest development plans for Swedish SMEs and their boards of directors in training programmes and seminars.
Developments and Trends in Research on Board Leadership: A Systematic Literature Review

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Abstract
This paper presents a systematic literature review of 139 articles on board leadership that were published in business and management journals since 1980s. Journal names, author country affiliations, topics and focus levels, theories, empirical contexts, and methodologies are presented and analysed. We also assemble and analyse this data thematically in order to identify and frame developments and trends in researchers’ ideas on board leadership. This analysis provides guidance for researchers by identifying different research streams on board leadership. The analysis may also serve as basis for theory development in board leadership research that can inform policymaking and best practice recommendations.

Keywords: board leadership; board of directors; chairperson; CEO duality; corporate governance
1. Introduction and aim of study

A well-functioning corporate governance system requires competent board leadership (Huse, 2007, Huse and Gabrielsson, 2012, Lorsch and MacIver, 1989). Most legal frameworks assign collective responsibility to boards of directors for overall strategic management guidance and ultimate oversight of company affairs. Moreover, best practice recommendations often emphasize the duty of the board chairperson and the board committee heads to lead board members so they act as a cohesive team (Conger, 2009). Thus, it is generally agreed that board leadership is an issue of high interest to a wide range of stakeholders concerned with corporate governance. These stakeholders include shareholders, policy makers, investors, and the board members themselves.

In recent years, an increasing number of research articles have addressed the issue of board leadership with respect to corporate governance. However, despite the rich body of research currently available, it is difficult to find a comprehensive overview of the topic. Various streams of research from assorted academic disciplines, published in a variety of scholarly journals, emphasize different and largely diverse aspects of board leadership (Huse and Gabrielsson, 2012). While these studies individually offer theoretical
and empirical insights on the issue, the accumulation of knowledge in the aggregate is fairly limited. Not much is known about how different research traditions and streams relate to, or build on, each other. As a result of this inadequacy in contemporary research on board leadership, a systematic effort to collect, review, and synthesize this research is needed so that the research community will have a frame of reference for future investigations.

In general, the research on boards and corporate governance has examined board leadership from two complementary perspectives. On the one hand, board leadership may refer to the strategic leadership of a company (Pugliese et al., 2009, Finkelstein et al., 2009) that takes responsibility for direct external oversight (Zahra and Pearce II, 1989), influences strategic content, context, and conduct (McNulty et al., 2011), and provides hands-on leadership, especially in times of crisis (Lorsch, 2009a, Huse and Zattoni, 2008). On the other hand, board leadership may refer specifically to leadership associated with individual board members (Huse, 2005a), including the board chairpersons (Daily and Dalton, 1993, Gabrielsson et al., 2007), executive directors, and committee heads (Conger and Lawler, 2009b) as well as their collective leadership responsibility (Conger and Lawler, 2009a, Vandewaerde et al., 2011).

Despite the difference in the two perspectives, a common denominator, which unifies much of the research on board leadership, is the conviction that board leadership refers to the structures, behaviours, and processes in the interaction among individuals who exert their influence and power to achieve group and organizational goals (Yukl, 1989). In this sense, board leadership is largely a relational concept that can have a significant effect on a company and its results (Gabrielsson et al., 2007, Conger, 2009). It is this relational understanding of board leadership that guides our selection of research articles for this literature review. We are in this respect interested in leadership research that deals with the human aspects of corporate governance by focusing on the structures, behaviours, and processes in and around the boardroom (Mace, 1971, Lorsch and MacIver, 1989, Pettigrew, 1992, Huse, 1998, Huse, 2005a).

However, we acknowledge that board leadership research is, at present, a broad area of study. The research can be approached, defined, and conceptualized in many ways and at different levels of analysis (Huse and Gabrielsson, 2012). Therefore, our aim in this article is to develop a frame of reference for contemporary studies of board leadership in business and management research based on a systematic literature review. We think this review offers three notable contributions. First, in recognition of the diversity of approaches to the study of board leadership, we assemble various re-
search articles scattered among a number of publications. Second, we use a systematic literature review methodology that supports a schematic and empirically grounded overview of the theoretical and empirical research on board leadership. Third, we synthesize this board leadership research by describing various streams of research that have emerged in recent decades. With these contributions, we think our literature review provides a basis for theory development in board leadership research that can lead to best practice recommendations for board leadership.

The article is organized as follows. In Section 2, we outline our search methodology for locating articles on board leadership. In Section 3, we describe these articles. In Section 4, we present a thematic analysis of the trends and developments in the research on board leadership. In Section 5, we conclude with our reflections for theory development, identify possible limitations to our research, and offer our best practice recommendations.

2. Search methodology

For this review, we used explicit and transparent methods to evaluate the quality of the empirical evidence (Gough et al., 2012). Here we describe the various steps in our review, which was based on detailed criteria from citation indexes. Such a systematic literature review emphasizes both accountability and repeatability.

Although built on a set of common underlying principles, various systematic literature reviews have been conducted that were intended to analyze different research questions, primary study designs, synthesis methods, and systematic approaches (Gough et al., 2012). Thus, previous business and management research that used our selected search methodology guided our review (Denyer and Neely, 2004, Thorpe et al., 2005, Pittaway and Cope, 2007). Inspired by these sources, we structured our review in four stages, as illustrated in Figure 1.
Each stage of our review is associated with a set of action steps. In the **planning stage**, after forming a review team, we defined the objectives of the review with respect to the overall aim of our study. Thereafter, we developed a coding scheme that was based on the objectives of the review: assembling and synthesizing data on the authors’ country affiliations, and the articles’ topics and focus, theory, methodology, empirical contexts, and main results.

In the **search stage**, we identified a number of bibliographical electronic databases using the root search string ‘board* AND leader*’. We found that ABI/INFORM Complete, Business Source Elite and Scopus have the greatest coverage as well as full-article access. Next we specified keywords. Our keywords were combinations of the following: Board (and) Leadership (or) Board (and) Leader (or) Board (and) Chairperson (or) Board (and) Chairpersonship (or) Board (and) Chairman (or) Board (and) Chairmanship. Search terms that consisted of multiple words were separated in the search.
To develop effective search strings, the review team consulted a professional database expert for advice and hands-on support.

Our initial search, in which we limited our search to only peer-reviewed journals, resulted in about 18,000 hits. Consistent with our review objectives, we then limited our search to studies on board leadership in the for-profit sector because of differences in institutional conditions for boards in the for-profit sector vs. boards in the non-profit sector. These differences pertain to recruitment processes, board member competence profiles, and value creation goals (Iecovich, 2005, Duca, 1996). We deleted all multiple entries, which had substantially increased the number of hits. We also deleted studies that clearly lacked relevance for the aims of our review. We then downloaded these entries into bibliographical software.

We continued by adding a narrative method for cross-referencing our review. This method allowed us to make a manual search of the bibliographies of the articles to determine which articles were relevant for our review. Then we examined all titles and abstracts of these articles in terms of our review objectives. We excluded articles that lacked detailed accounts on board leadership. For example, we did not use studies that only paid lip service to the importance of board leadership or did not investigate or discuss the topic in depth. After this final screening, we had 139 academic articles on board leadership in business and management research from the years 1985 to 2012. See Appendix A for a list of the articles.

In the analysis stage, we coded the 139 articles in accordance with our coding scheme. After the first author completed the initial coding, the second author looked for coding errors. The risk of subjective bias in this step is minimal because we used only “hard facts” in the coding: author country affiliations, journals titles, focus levels and topics, theoretical frameworks, empirical contexts, and methodologies. This data were used in the descriptive analysis of the articles.

We then prepared a thematic analysis of the articles in which we identified trends and developments in the research on board leadership. We applied qualitative content analysis inductively to identify possible clusters of articles. Content analysis, which is a flexible methodology for analysing textual data (Cavanagh, 1997), includes a group of analytical approaches. These approaches vary from impressionistic, intuitive, interpretive analyses

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1 As a relatively transparent methodology, a systematic literature review may nevertheless involve some subjectivity and a potential selection bias. We tried to minimize this problem in two ways. First, we included only those studies that met our inclusion and exclusion criteria. Second, we made independent evaluations of all articles identified in our search. We then compared and discussed our evaluations.
to more conventional, systematic and strict textual analyses (Rosengren, 1981). We applied conventional content analysis that is recommended when the theory or knowledge related to a phenomenon is limited (Hsieh and Shannon, 2005). This analysis is appropriate for the scattered research on board leadership in our 139 articles. We were looking for clusters of similar or closely related research streams in the articles.

We identified clusters of research streams by following five steps. First, we categorized the articles by topic and theory. Second, we identified the articles’ empirical context (i.e., by company and by corporate governance system). Third, we identified the articles’ methodologies (i.e., the process of data collection and analysis). Fourth, we arranged the articles in chronological order, using colour codes. Fifth, in an iterative process of discussing, reading, and plotting this data (in words and graphics) we defined six research streams, including their approximate origination date and subsequent development.

In the reporting stage, we created a figure and three tables from our data. In the next section we report our findings.

3. Research on board leadership: A descriptive overview

3.1 Authors and country affiliations

We counted 272 authors for the 139 articles. The number of authors per article varies between 1 and 5, with a mean of 1.99. One-half of the articles have two authors, and one-fifth have three or more authors. Co-authorship is common in business and management research articles as it is in most social science disciplines and studies on board leadership follow this pattern.

We counted 28 countries represented by the authors’ country affiliations. Authors from the United States (US) clearly dominate (52.9 per cent). This finding is consistent with previous research on boards of directors and corporate governance (Gabrielsson and Huse, 2004b). Authors from the United Kingdom (UK) are in second place (14.0 per cent), and authors from China are third (6.6 per cent). The third place position of Chinese authors is notable as it reflects their increasing interest in economic performance and financial reforms related to corporate governance in China’s transitional economy. Overall, we observed an increase in articles written by authors not based in the US. We also noted an increase in the number of inter-country
collaborations, although such collaborations are more the exception than the rule.

3.2 Academic journals
The 139 articles were published in 62 academic journals. These journals cover a number of academic disciplines related to business and management research. Nearly one-half the articles (48.2 per cent) were published in eight academic journals (see below). See Appendix A for a list of the articles and Appendix B for a list of all journals.

- Corporate Governance: An International Review (CGIR): 15.8 per cent
- Strategic Management Journal (SMJ): 7.9 per cent
- Journal of Management (JoM): 5.8 per cent
- Journal of Corporate Finance (JCF): 4.3 per cent
- Academy of Management Journal (AMJ): 4.3 per cent
- Administrative Science Quarterly (ASQ): 3.6 per cent
- International Journal of Business Governance and Ethics (IJBGE): 3.6 per cent
- Journal of Management & Governance (JMG): 2.9 per cent

Much of the research on board leadership is published in prestigious journals such as AMJ, SMJ, JoM, AMJ and ASQ. In addition, JCF publishes articles on corporate governance by researchers in corporate finance. We were unsurprised that more of our 139 articles were published in CGIR than in any other journal; it is a premier journal for research on corporate governance and boards of directors. IJBGE and JMG, which are field-specific journals, also frequently publish articles on board leadership.

3.3 Theoretical frameworks
The authors’ use of theoretical frameworks to support their findings and conclusions was a helpful classification device for our study of board leadership research. We classified the articles into three groups. We label the group with the most articles (70 articles) the eclectic group because their authors combine two or more theories. The main theory used in these articles is agency theory, with its commitment to an instrumental and utility-maximizing model of rational action (Jensen and Meckling, 1976b). Other theories used in the articles to support or to contrast with agency theory include resource dependence theory, managerial hegemony theory, general organizational theory, stewardship theory, or psychological trait theory plus other psychological theories.
We label the group with the second most articles (57 articles) the *agency theory* group (Eisenhardt, 1989a, Fama and Jensen, 1983). Authors in this group solely take the agency perspective. We label the group with the third most articles (12 articles) the *behaviour theory* group. Authors in this group address actual board behaviour rather than board leadership structures. See Table 1 for a chart of the number of articles in the three groups. All articles were published between 1985 and 2012.

Table 1: Theoretical frameworks and the development of studies over time

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<tbody>
<tr>
<td>Eclectic</td>
<td>5</td>
<td>7</td>
<td>14</td>
<td>21</td>
<td>23</td>
<td>70</td>
<td>50.4</td>
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<tr>
<td>Agency theory</td>
<td>2</td>
<td>13</td>
<td>16</td>
<td>14</td>
<td>12</td>
<td>57</td>
<td>41.0</td>
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<td>Behavioural</td>
<td>1</td>
<td>3</td>
<td>8</td>
<td>12</td>
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<td>33</td>
<td>8.6</td>
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<tr>
<td>Total</td>
<td>7</td>
<td>20</td>
<td>31</td>
<td>38</td>
<td>43</td>
<td>139</td>
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As Figure 2 shows, the number of articles on board leadership increased steadily in the five-year intervals from 1985 to 2012. Agency theory, which was the most-used theory in the early years of this time frame, beginning in 1991, strongly influenced the development of board leadership research (Jensen and Meckling, 1976b), in particular in relation to corporate governance in the mid-1980s (Fama and Jensen, 1983). Researchers’ use of eclectic theoretical approaches, overall the most-used approach, also steadily increased over the years. By the beginning of the 21st century, eclectic theoretical approaches had become dominant in board leadership research. We emphasize, however, that the eclectic approaches primarily builds on agency theory arguments, which is the reference point used to support or to contrast with other theories. The board leadership research that uses behavioural theory is relatively new since its use did not begin to develop until after 1995. In sum, our findings on the use of theory in board leadership studies are consistent with the use of theory in corporate governance research in general (Gabrielsson and Huse, 2004b).

Figure 2: Development of number of articles on board leadership over time
3.4 Focus levels and topics

We also classified the 139 articles based on their focus levels and their topics. We found that the vast majority (about 95 per cent) of the articles address leadership focused at the individual level. The other articles (about 5 per cent) address leadership focused at the team or organizational level. In the latter group, the main topic is board leadership structures – primarily the issue of CEO duality (79 per cent). As expected, this focus is most often used with agency theory. Among the articles on individual leadership – board chairpersons and committee heads – a few investigate leaders’ personality traits, competencies and personality profiles. Other articles address the behavioural aspects of board leadership, such as social processes and relational dynamics inside and outside the boardroom. Although the number of articles on aspects of leaders’ behaviour is slowly increasing, there are still many more articles on leadership structures. In sum, more articles are published on board structures than on behaviour dynamics (Huse, 2005a) and on board leaders than on leadership as a social and relational process (Parry, 1998, Yukl, 2012).

3.5 Empirical contexts and methodologies

Based on our review of the 139 articles’ empirical contexts and methodologies, we found that 114 articles (82%) were empirical studies, and 25 articles...
cles (18%) were conceptual studies. Authors in the latter group either describe generic theoretical models or frameworks (n = 17, 68.0%) or discussed board leadership from a more practitioner-oriented viewpoint (n = 8, 32.0%). See Table 2 for details on the 114 empirical studies.

Table 2: Empirical contexts: The empirical studies

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<tr>
<th>Continent</th>
<th>n</th>
<th>%</th>
<th>Company size</th>
<th>n</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>61</td>
<td>53.5</td>
<td>Large listed corporations</td>
<td>103</td>
<td>90.4</td>
</tr>
<tr>
<td>UK</td>
<td>14</td>
<td>12.3</td>
<td>SMEs</td>
<td>11</td>
<td>9.6</td>
</tr>
<tr>
<td>Europe (excl. UK)</td>
<td>11</td>
<td>9.6</td>
<td>Methodology</td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Asia</td>
<td>18</td>
<td>15.8</td>
<td>Quantitative</td>
<td>109</td>
<td>95.6</td>
</tr>
<tr>
<td>Oceania</td>
<td>4</td>
<td>3.5</td>
<td>Qualitative</td>
<td>5</td>
<td>4.4</td>
</tr>
<tr>
<td>Africa</td>
<td>4</td>
<td>3.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-continental</td>
<td>2</td>
<td>1.8</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As Table 2 shows, 61 articles are from North America: 59 studies from the US and 2 from Canada. Of the 25 articles from Europe, 14 are from the UK, with the other 9 from various European countries. From the 18 Asian sites, Hong Kong has seven studies, Taiwan and Malaysia each have three studies, and China, Iran, Palestine and India each have one study. From Africa, three studies are from Egypt and one each are from Ghana and Tunisia. Two studies are from the Middle East: one from Iran and one from Palestine. Other research has also found that researchers from the US publish most studies on boards of directors (Gabrielsson and Huse, 2004b). Thus, it is not surprising to see this pattern also in studies on board leadership. However, we also found researchers from other countries are beginning to publish more studies on board leadership.

Table 2 shows that some 90 per cent of the 114 empirical studies were conducted at large, publicly listed corporations. The remaining 10 per cent were conducted at small and medium sized enterprises (SMEs). The authors use quantitative methodologies in more than 95 per cent of these empirical articles; most authors use secondary archival data while only a few use first-hand data collected in questionnaire surveys. In the other five per cent of the articles, the authors use a qualitative methodology, predominately interviews.

In sum, most of the research on board leadership, which is primarily from the US, investigates CEO duality at large, publicly listed corporations, and
uses a quantitative methodology to analyse archival data. The issue of CEO duality, which refers to the situation when one individual is both chief executive officer and board chairperson, concerns the effect such a dual role has on a company’s competitiveness and performance. We found, however, that there is some shift in this focus. Researchers worldwide are investigating other board leadership issues, setting their studies in other empirical contexts, and using different methodologies. The result is greater diversity in the topics, contexts, and methodologies as well as more internationalization of the field.

4. Developments and trends in research on board leadership

We identified six research streams in our thematic analysis. Our analysis, however, does not assess the relative size, importance, or impact of the streams. Most of 139 articles connect to a particular research stream of research although some articles connect to two or more streams. The six streams are clusters of articles that are similar in their main focus, intellectual roots, methodology, and its corporate governance structure. Each research stream has a breakthrough point and an era in which its use became established. We define a breakthrough point as the time when one or several pioneering studies contributed findings that initiated more research in the same stream. See Table 3 for an overview of the six research streams.
Table 3: The six research streams on board leadership

<table>
<thead>
<tr>
<th>Main focus</th>
<th>Board reform stream</th>
<th>Money talk stream</th>
<th>Contingency stream</th>
<th>Pragmatic stream</th>
<th>International stream</th>
<th>Behavioural stream</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main focus</strong></td>
<td>Leadership structure and firm performance</td>
<td>Costs and benefits of independent board leadership structures</td>
<td>Board leadership in context</td>
<td>Boardroom practice</td>
<td>Board leadership across national contexts</td>
<td>Process of board leadership</td>
</tr>
<tr>
<td><strong>Intellectual roots</strong></td>
<td>Managerial hegemony theory and agency theory</td>
<td>Agency theory</td>
<td>Eclectic – based on agency theory but also other complementary perspectives</td>
<td>General management principles</td>
<td>Agency theory</td>
<td>Behavioural theories</td>
</tr>
<tr>
<td><strong>Main corporate governance context</strong></td>
<td>US</td>
<td>US</td>
<td>US</td>
<td>UK</td>
<td>Various</td>
<td>Europe</td>
</tr>
<tr>
<td><strong>Main corporate context studied</strong></td>
<td>Large, publicly listed corporations</td>
<td>Large listed corporations</td>
<td>Various</td>
<td>Various</td>
<td>Large listed corporations</td>
<td>Various</td>
</tr>
<tr>
<td><strong>Main methodological approach</strong></td>
<td>Quantitative</td>
<td>Quantitative</td>
<td>Quantitative</td>
<td>Qualitative</td>
<td>Quantitative</td>
<td>Qualitative</td>
</tr>
<tr>
<td><strong>Main data sources</strong></td>
<td>Archival data</td>
<td>Archival data</td>
<td>Archival data and questionnaires</td>
<td>Interviews</td>
<td>Archival data and questionnaires</td>
<td>Questionnaires</td>
</tr>
</tbody>
</table>
4.1 The board reform stream

Studies in the board reform stream of research on board leadership deal with reforms of board structure and leadership that are intended to improve corporate governance. These studies are primarily conducted at large, publicly listed US corporations in which the corporate governance context is notable for highly dispersed ownership. Because such corporate governance structures tend to produce weak (distant) owners and strong managers, the authors in this stream argue that structural reforms are needed to counterbalance this tendency.

The theoretical discussion in this stream is two-pronged. First, the studies are largely embedded in the managerial hegemony debate in which the board is assumed to have a symbolic function because it only rubber-stamps the CEO’s actions and decisions (Mace, 1971). Second, the studies in this stream refer to agency theory from the late 1970s and early 1980s (Fama, 1980, Fama and Jensen, 1983, Jensen and Meckling, 1976b) to support their recommendation that the joint chief executive officer and board chairperson position be abolished. This focus reduces the complexity of board leadership to a question of CEO duality, which is a development that finds appeal among researchers who are interested in the problem of ownership separated from control and the weak power of boards in the corporate governance system. A pioneering contribution to this stream is Chaganti, Mahajan, and Sharma’s (1985) study of the structure and leadership of boards at failed and successful firms in the US retail industry (Chaganti et al., 1985). Studies in this stream primarily use archival data.

4.2 The money talk stream

By 1994, the board reform stream had evolved into a new independent stream that we label the money talk stream of research on board leadership. Studies in this stream, which focus on CEO duality at large, publicly listed corporation in the US, rely strongly on agency theory and are closely linked to financial economics. The costs and benefits for shareholders of the CEO duality are the main focus. To that end, researchers in this stream develop and use a number of sophisticated performance measures, such as executive compensation and company market value models. A pioneering contribution to this stream is Davidson, Worrel, and Cheng’s (1990) study in which they test the reaction of the stock market to announcements of the appointments of key executive officers at Fortune 500 companies (Davidson et al., 1990). Studies in this stream solely use archival data.
4.3 The contingency stream

Another development in the early 1990s is the contingency stream of research on board leadership. Influenced by organization studies, the stream of research explores board leadership mainly in the US corporate governance context and among companies of various sizes. An important theme in this stream is the contingency theory argument that while there is no best way to organize board leadership, all ways are not equally effective. The studies typically apply eclectic theoretical approaches in which agency theory is the dominant, although complemented by or contrasted with other theoretical perspectives. A pioneering contribution to this stream is Donaldson and Davis’s (1991) study in which they take a stewardship perspective on CEO duality (Donaldson and Davis, 1991). Stewardship theory challenges agency theory based on the premise that board leadership structures in which one individual is both the chief executive officer and the board chairperson enhance the unity of leadership and provide greater flexibility in dealing with contingencies. Studies in this stream use typically use archival data and questionnaires.

4.4 The pragmatic stream

The pragmatic stream of research on board leadership consists of studies that focus on the realities of boardroom practice. Because the authors of these studies are academics who are also, in some sense, business people, they use their business experience to describe and discuss the complexities of board leadership. In contrast to the focus on CEO duality in parallel research stream, studies in this stream thus specifically deal with practical corporate problems and issues, often from a policy perspective. The empirical focus is on large, publicly listed corporations with a dispersed ownership that is dominated by institutional investors, often in the UK governance context. A pioneering contribution to this stream is Parker’s (1990) study in which he conducted interviews with chairpersons at publicly listed corporations in the UK (Parker, 1990). This study deals with the culture, politics, and people of the corporations and how they influence the chairpersons’ priorities. Studies in this stream use interviews for the collection of data and feature anecdotes that provide richness and context.

4.5 The international stream

The international stream of research on board leadership consists of studies that develop the contingency stream by emphasizing the international di-
mension of corporate governance. The main unifying theme of these studies is the authors’ interest in exploring and analysing board leadership in countries heretofore not well represented in the corporate governance literature. Like most other research streams, the international stream uses agency theory to support findings on corporate governance. However, going beyond the early contingency stream that looks at corporate governance in similar institutional contexts (and mainly at large, publicly listed corporations), these studies examine different institutional country contexts in which corporate governance practices are found. In this respect, the international stream of research is an alternative to the US-centred view of corporate governance (Aguilera and Jackson, 2003). A pioneering contribution to this stream of research is Ho and Shun Wong’s (2001) study in which they link CEO duality to the voluntary disclosures by publicly listed firms in Hong Kong (Ho and Shun Wong, 2001). Other studies in this stream look at board leadership in China, Egypt, Iran, and Taiwan. Studies in this stream typically use archival data and questionnaires.

4.6 The behavioural stream

The *behavioural stream* of research on board leadership consists of studies focused on the dynamics and realities of leadership behaviours in and around the boardroom. In this respect, this stream differs from most other streams that mainly focus on board leadership structures and the issue of CE duality. Therefore, this stream shares some common interests with the pragmatic stream of research, although it is on the whole more deductive and theory-driven in its overall approach. Authors in this stream often argue that agency theory assumptions should be relaxed in the consideration of the goals and behaviour of boardroom actors. Thus, many studies in this stream have a strong connection to behavioural decision-making in organisations (Cyert and March, 1963, van Ees et al., 2009) and to research on strategic decision-making groups and upper-echelon team dynamics (Forbes and Milliken, 1999, Finkelstein et al., 2009).

Our analysis shows that European scholars who conduct their research mainly in European countries drive this stream of research. Therefore, the studies are set in corporate governance contexts with concentrated ownership where financial institutions (e.g., banks and insurance companies) often provide investment capital. As a result, the behavioural stream takes a stronger interest in the stakeholder perspective (Blair, 1995, Blair, 1998) than in the more ownership-oriented (e.g., agency theory) perspective on corporate governance. A pioneering contribution to this stream of research is Huse’s (1998) study in which a participant observation methodology is
used to explore how issues such as trust, emotions, and stakeholder interaction influence the board chairpersons and the boards at three companies (Huse, 1998). Studies in this stream primarily use questionnaires because of their authors’ interest in and reliance on concepts and measures used in the board research published in high ranked management journals (Forbes and Milliken, 1999, Gulati and Westphal, 1999, Westphal, 1999).

5. Conclusions, limitations, and guidance for future research

In this article we call attention to the wide interest in board leadership studies on corporate governance research by conducting a systematic literature review of articles published in management and business journals from 1980s. Our review resulted in 139 articles in 62 journals, with a concentration in eight journals. We find that most of the articles focus on the CEO duality issue at large publicly listed US corporations and use a quantitative methodology to analyse archival data. However, our review reveals that researchers are increasingly studying board leadership from other perspectives and in other contexts. Our thematic analysis of the articles resulted in the identification of six research themes. In an examination of these research streams, we were able to trace developments and trends in research on board leadership from the mid-1980s forward.

Two potential limitations of our study may influence the reliability of our findings. First, our review is based on research published in international journals reported in English. It is thus possible that a language bias exists in our selection of articles (Gabrielsson and Huse, 2004b). For example, German, French, Italian, or Spanish researchers may publish more frequently in journals in their mother tongues, in their home countries. Therefore, our conclusion that board leadership research concentrates on the CEO duality at large, publicly listed Anglo-American corporations may be somewhat skewed as it represent only the research reported in English. Second, our findings depend on the validity of our search methodology, which, in turn, depends on the journals that are included and available in electronic search engines. We tried to minimize this potential limitation by asking researchers in our scholarly networks to identify other relevant studies and by carefully reviewing references for all the studies found in our database search. However, because we may have omitted some articles from our review through our use of search engines, however, our findings may be somewhat skewed also for this reason.
Nevertheless, we think our review offers useful guidance for future research on board leadership. Our review highlights how corporate governance researchers conceive board leadership via their theories and focus. We found that agency theory, the dominant theoretical framework, is mostly used in the examination of CEO duality. Even with the use of other theories, the dominance of agency theory in board leadership research that began in the 1980s continues to the present.

We believe the persistent dominance of agency theory in studies of boards of directors require further attention by academics. The process where a focal entity or field takes on characteristics that reflect prominent environmental features during a brief period of susceptibility is generally referred to in the literature as “imprinting (Marquis and Tilcsik, 2013). When in process, imprinting can have a strong influence that lasts long after the initial founding period and, as a result, the capacity of a focal entity or field to change and develop may be impaired (Stinchcombe, 2013). Our observation, although admittedly speculative at this stage, may provide explanations for why many researchers approach the subject of board leadership as they do. It may be time to think critically about this issue.

A second implication of our review, in part related to the imprinting discussion above, is the issue of whether, and to what extent, board leadership research differs from other leadership research. With some exceptions, few of the articles we reviewed explore and relate to the relatively rich and diverse research on “traditional” leadership. Among the few exceptions are studies on the framework of shared leadership in boardroom settings (Conger and Lawler, 2009a, Vandewaerde et al., 2011). Yet, in general, we found little linkage between board leadership research and traditional leadership research. A relevant question to ask is whether board leadership researchers miss an opportunity to broaden their research when they seem largely to ignore this parallel research tradition. We thus suggest that researchers on board leadership broaden their research scope on this issue.

A third implication of our review is that most of our studies use quantitative methodologies and sophisticated statistical analysis techniques to examine board leadership although board leadership can also be studied using qualitative methodologies. We think the bias towards the use of quantitative methodologies and secondary sources of data may hide important findings on board leadership that may be discovered by qualitative methods of analysis (Conger, 1998). This is especially true for corporate governance researchers in business and management who wish to obtain an in-depth understanding of board leadership as a relational concept that is embedded in power/dependency relationships (Huse, 1998). We suggest that the use of more qualitative methodologies would counter-balance the focus on board
leadership structures of board leadership by a greater focus on the behavioural dynamics of board leadership.

A fourth implication of our review is its assembly of scholarly knowledge that may provide a basis for theory development in board leadership research that can inform policymaking and best practice recommendations. Our review shows that in the numerous studies published on board leadership in approximately the last thirty years, a very prominent concern relates to the protection of shareholder wealth from self-serving managers by implementing independent board leadership structures. However, two decades of research on this issue have consistently shown that these board leadership structures do not produce strong and consistent corporate performance in various contexts (Dalton and Dalton, 2005, Dalton et al., 1998, Rhoades and Rechner, 2001). Given that result, it seems there is too great a focus on independent board leadership structures in policy debates and contemporary best practice recommendations. In this respect, our review identifies two research streams whose study can lead to best practice recommendations: the pragmatic stream and the behavioural stream. These research streams, which are concerned with the actual content and process of board leadership, offer actionable knowledge about issues related to culture, organizational politics and stakeholder interactions. In conclusion, we recommend that policy makers and practitioners who are interested in frameworks that describe and explain the behaviours and processes of board leadership look more closely at these research streams.
References


Appendix A: Studies of board leadership in business and management research

[1-139]


Appendix B: Academic journals in alphabetical order

<table>
<thead>
<tr>
<th>Name of journal</th>
<th>No of studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academy of Management Executive</td>
<td>3</td>
</tr>
<tr>
<td>Academy of Management Journal</td>
<td>6</td>
</tr>
<tr>
<td>Accounting and Finance</td>
<td>1</td>
</tr>
<tr>
<td>Administrative Science Quarterly</td>
<td>5</td>
</tr>
<tr>
<td>American Business Review</td>
<td>1</td>
</tr>
<tr>
<td>Applied Financial Economics</td>
<td>2</td>
</tr>
<tr>
<td>Accounting, Auditing &amp; Accountability Journal</td>
<td>1</td>
</tr>
<tr>
<td>Asia Pacific Journal of Management</td>
<td>1</td>
</tr>
<tr>
<td>Australian Journal of Management</td>
<td>1</td>
</tr>
<tr>
<td>British Accounting Review</td>
<td>1</td>
</tr>
<tr>
<td>British Journal of Management</td>
<td>3</td>
</tr>
<tr>
<td>Business &amp; Society</td>
<td>1</td>
</tr>
<tr>
<td>Corporate Governance: An International Review</td>
<td>22</td>
</tr>
<tr>
<td>Corporate Governance: The Int. Journal of Business in Society</td>
<td>2</td>
</tr>
<tr>
<td>Corporate Governance: The Int. Journal of Effective Board Performance</td>
<td>2</td>
</tr>
<tr>
<td>Engineering Management Journal</td>
<td>1</td>
</tr>
<tr>
<td>European Business Organization Law Review</td>
<td>1</td>
</tr>
<tr>
<td>European Financial Management</td>
<td>1</td>
</tr>
<tr>
<td>European Management Journal</td>
<td>2</td>
</tr>
<tr>
<td>Entrepreneurship: Theory &amp; Practice</td>
<td>1</td>
</tr>
<tr>
<td>European Financial Management</td>
<td>1</td>
</tr>
<tr>
<td>Financial Management</td>
<td>1</td>
</tr>
<tr>
<td>Harvard Business Review</td>
<td>1</td>
</tr>
<tr>
<td>Health Services Research</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Accounting</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Business and Management</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Business Governance and Ethics</td>
<td>5</td>
</tr>
<tr>
<td>International Journal of Human Resource Management</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Leadership Studies</td>
<td>1</td>
</tr>
<tr>
<td>International Journal of Management Reviews</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Organizational Analysis</td>
<td>1</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>International Review of Economics &amp; Finance</td>
<td>1</td>
</tr>
<tr>
<td>International Review of Financial Analysis</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Accounting and Public Policy</td>
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</tr>
<tr>
<td>Journal of Applied Corporate Finance</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Banking and Finance</td>
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<tr>
<td>Journal of Business Ethics</td>
<td>2</td>
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<tr>
<td>Journal of Business Strategy</td>
<td>2</td>
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<tr>
<td>Journal of Business Finance &amp; Accounting</td>
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<tr>
<td>Journal of Business Research</td>
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<tr>
<td>Journal of Business Venturing</td>
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<tr>
<td>Journal of Business, Finance &amp; Accounting</td>
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<tr>
<td>Journal of Corporate Finance</td>
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<td>Journal of Contemporary Accounting &amp; Economics</td>
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<td>Journal of Financial and Quantitative Analysis</td>
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<td>Journal of International Accounting, Auditing and Taxation</td>
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<td>Journal of International Business Studies</td>
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</tr>
<tr>
<td>Journal of Management</td>
<td>8</td>
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<tr>
<td>Journal of Management &amp; Governance</td>
<td>4</td>
</tr>
<tr>
<td>Journal of Management Issues</td>
<td>1</td>
</tr>
<tr>
<td>Journal of Management Studies</td>
<td>1</td>
</tr>
<tr>
<td>Latin American Business Review</td>
<td>1</td>
</tr>
<tr>
<td>Leadership in Action</td>
<td>1</td>
</tr>
<tr>
<td>Leadership Quarterly</td>
<td>1</td>
</tr>
<tr>
<td>Long Range Planning</td>
<td>3</td>
</tr>
<tr>
<td>Managerial and Decision Economics</td>
<td>1</td>
</tr>
<tr>
<td>Medical Care Research and Review</td>
<td>1</td>
</tr>
<tr>
<td>Michigan Journal of Business</td>
<td>1</td>
</tr>
<tr>
<td>Organizational Dynamics</td>
<td>2</td>
</tr>
<tr>
<td>Strategic Change</td>
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<tr>
<td>Strategic Management Journal</td>
<td>11</td>
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<tr>
<td>Total</td>
<td>139</td>
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</table>
What do non-executive chairpersons do in owner-managed firms? – evidence from Sweden

Daniel Yar Hamidi

Abstract

While the literature on corporate governance is developing, there are as yet few studies based on the actual reports and behaviour of directors themselves. This study is driven mainly by interviewing the primary sources, board directors and owner-managers, and developing the concepts that emerged from the data. These concepts are then related to other research studies to compare findings and to place the contribution of this study within the context of existing theories. The primary aim of this study is to build theory on boards of directors and secondly to contribute to the policy debate on improving practical corporate governance.

The purpose of the study is to examine how non-executive chairpersons may contribute to value creation in owner-managed firms. Findings provide theoretical and practical insights into the role of chairpersons in owner-managed firms. New tasks definitions are developed and suggestions about implications and further research are offered.

Keywords: Owner-managed firms, chairpersonship, chairperson, task, board of directors

Introduction

Boards of directors are often emphasized as an untapped resource in small and medium-sized enterprises (SMEs) (Cowling, 2003; Bennett and Robson, 2004; Berry and Perren, 2001; Huse, 2000; Huse et al., 2011b; Gabrielson and Huse, 2005). Small firms manage scarce resources and are
liable to lack extensive managerial knowledge; they may therefore gain a
greater contribution from a knowledgeable board of directors (Brunninge et al., 2007). However, while the majority of the research on board of directors occupies itself with large listed companies (Huse, 2000; Yar Hamidi and Gabrielsson, 2014), the majority of firms are privately held small and medium-sized firms run by their owner-managers (ACCA, 2010).

Most enterprises (about 90 per cent of all firms) in the global economy are SMEs and they account for more than 50 per cent of worldwide employment (IFC, 2014). Lately, SMEs have been receiving recognition by research and policymakers as important engines of global job creation and economic growth (Bammens et al., 2010; Gabrielson and Huse, 2005). SMEs have also been the subject of scholarly attention regarding the inner work of boards of directors over the last few years (Bammens et al., 2010).

These firms are predominantly held by one or a very small number of owners and managed by owner-managers (Neville, 2011; Bennedsen and Wolfenzon, 2000). The owner-managers are usually present in several layers of the governance system in the firm simultaneously. They act as members of the senior management team, so boards of directors thus create a different governance context than those in large listed companies with dispersed ownership, which often have a senior management team that includes professional managers (Brunninge et al., 2007; Carney, 2005).

However, some of these owner-managed firms choose to employ external non-executive directors (NED) in their boards. Often these NEDs are also selected to chair the board. Research on owner-managed firms indicates that firms whose owner-entrepreneurs or family-business-owners employ external chairpersons in their boards of directors perform better than their counterparts whose boards and senior management teams comprise family members or owner-entrepreneurs only (Bammens et al., 2011; Neville, 2011; Daily and Dalton, 1992; Bennett and Robson, 2004).

Knowledge about what tasks these chairpersons engage in is therefore valuable to both theory and practice in the context of owner-managed firms. In terms of theory, prior research has taken agency theory as its prime perspective when discussing the task of boards of directors and their chairpersons (Yar Hamidi and Gabrielsson, 2014). Although this perspective has contributed to a better understanding of the context of large listed companies with dispersed ownership, its contribution in explaining the governance of owner-managed (often small and medium-sized) enterprises is limited (Brunninge et al., 2007). Due to the different characteristics of these fundamentally different contexts, it is reasonable to suggest different tasks for boards of directors and chairpersons in these diverse contexts (Huse, 2005), namely owner-managed firms in comparison to large corporations.
The primary task of the board of directors, as defined by agency theory, is to act as a monitoring device that controls the CEO and the management team (the agents) to further the interests of shareholders (the principals) (Fama, 1980; Jensen and Meckling, 1976; Pettigrew and McNulty, 1995). In this context, the independence of the chairperson of the board is suggested by agency theory to be the main remedy to exert adequate control of the agents by the board of directors (Daily and Dalton, 1997a). This is, however, not the case in owner-managed firms. The board may simply have no control function in the conventional sense, because shareholder rights and managerial positions reside in the same persons (Forbes and Milliken, 1999). In this context, owners are broadly represented in the boards of directors as well as the senior management of the firm and exert both core strategic and operational influences (Bennett and Robson, 2004).

Since in these owner-managed firms there is no agency problem, which agency theory suggests should be evident, a number of other theoretical explanations may offer better clarifications of which tasks the external chairpersons should engage in in order to contribute to the development of these owner-managed firms (Gabrielsson, 2003; Huse, 2000; Machold et al., 2011).

The aim of this study is to understand what actual tasks chairpersons in owner-managed entrepreneurial firms engage in. To do this I will address the gaps in prior research on chairpersons’ tasks and conceptualize chairpersons’ involvement in tasks and contributions in these firms. This paper will discuss the question of why these owner-managers would voluntarily appoint an external chairperson to their boards of directors when they could instead entrench their power by retaining the chairperson position for themselves (Cromie et al., 1999); could this be a result of taking a more comprehensive view of the firm (Jordi, 2010) and what do owner-managers expect from these chairpersons? The paper will also include the interpretations of external chairpersons and other NEDs regarding the tasks of the chairperson in owner-managed firms.

Moreover, in line with recent developments in the research on the governance of SMEs, the paper argues for the adoption of a process approach to the question of task involvement and the contributions of chairpersons, an approach where the contextual aspects of the firm receive adequate attention (Daily and Dalton, 1993; Boxer et al., 2013) and the actual behaviour of chairpersons is discussed (Huse and Gabrielsson, 2012). The article adopts a case study approach to gain first-hand process data, which is called for by scholars in research on boards of directors (Huse et al., 2011a; Daily et al., 2003; Boxer et al., 2013).
The remaining of this paper is organized as follows. In the next section, relevant literature on the tasks of boards of directors and their chairpersons will be discussed. The section will present some alternative theoretical perspectives on boards of directors and the tasks of the chairpersons of the board, and will compare them with the prevalent agency theoretical perspective. This is followed by the methodological choices for the study and a presentation of the two empirical cases in this study. The findings of the study are then presented and discussed in relation to the extend theory. Some implication for theory and practice will be discussed. The paper concludes with a discussion about the limitations of this study and some questions for future research will be set out.

Theories on the task of the board of directors and the chairperson of the board

Prior research on boards of directors emphasizes boards as an important governance mechanism that can help firms to develop and create value by promoting innovation, renewal and strategic changes (Neville, 2011; Fiegener, 2005; Brunninge et al., 2007; Nielsen and Huse, 2010). The role of the board’s chairperson has been suggested to be of crucial value in creating and nurturing an entrepreneurial culture in the firm through effective board leadership (Taylor, 2001; Huse and Gabrielsson, 2012).

In the context of owner-managed firms, concentrated ownership can lead to less pressure from outside investors and others who demand accountability, transparency and the strategic renewal of the firm (Carney, 2005). Concentrated ownership has also been thought to have the potential to result in an aversion to risk and reluctance on the part of management to engage in strategic change activities such as product innovation, diversification or entering new international markets (Hill and Snell, 1988; Hoskisson et al., 2002).

The board of directors is considered to be the supreme organizational body within the firm, with responsibility for strategizing (Zahra, 1990) and developing the firm’s value creating potential (Huse, 2007). However, in many owner-managed firms boards primarily comprise owners and managers who are not acting enthusiastically as boards should but are simply legal fictions for the firm (Stiles and Taylor, 2002), or so-called “paper boards” (Dyer, 2009). These members of passive boards usually do not collect independent information about the firm and issues on the board’s agenda, and often attend meetings without raising critical issues to discuss. Board mem-
bers basically “rubber stamp” management decisions (Herman, 1982), with no further critical scrutinizing of management proposals. Thus, the only contribution made by the board is to meet the requirements of company law (Demb and Neubauer, 1992; Stiles and Taylor, 2002). To develop active boards, some owner-managers engage external non-executive chairpersons on their boards of directors. The expectations on these external chairpersons and the perceptions of their tasks do not directly correspond to the perceptions presented by agency theory because the core assumption of agency theory, the self-interested agent, does not exist in this context (Bennett and Robson, 2004; Bammens et al., 2011). An eclectic theoretical overview of other theoretical perspectives would therefore be of interest in this study.

This literature review is divided in two parts. The first part briefly presents the main theoretical perspectives on tasks of the board of directors and their consequences for chairmanship. The second part will look more closely at prior scholarly perspectives on tasks of chairpersons of boards.

Theoretical foundations to board tasks and its consequences for chairmanship

In this first part of the theoretical review, tasks of the boards of directors are discussed embedded in prior research on boards and from different theoretical perspectives.

Research on board tasks has two main drivers (Machold and Farquhar, 2013). First, research on boards of directors has been interested in the differences between active and passive boards, given that many boards have been seen as “rubber stamps” for decisions made by managers (Mace, 1971). Second, the so-called input-output studies on boards of directors have had unsatisfactory results (Finkelstein and Mooney, 2003; Machold and Farquhar, 2013; Daily et al., 2003). In this research strand a number of tasks, ranging from two (Forbes and Milliken, 1999; Hillman and Dalziel, 2003) to six (Hung, 1998) have been identified for the boards of directors. In an early attempt, Zahra and Pearce (1989) suggested three board tasks — control, service and strategy. In addition to these tasks, others have been added, such as resource provision (Hillman and Dalziel, 2003), advice (Davis et al., 1997) and institutional (Stiles and Taylor, 2002). However, these have sometimes been categorized as service tasks. There are also significant differences in how scholars have operationalized these tasks in empirical studies (Machold and Farquhar, 2013). Below, a few critical theoret-
ical perspectives on research on boards of directors are presented, beginning with the most prevalent: agency theory.

Protecting the shareholders or pushing at open doors?

Different theories have been used by researchers to deploy the tasks of boards of directors and their chairpersons. The predominant theory used to understand the task involvement of the board’s chairperson has been agency theory (Yar Hamidi and Gabrielsson, 2014; Huse et al., 2011a). Agency theory vocalizes the importance of the control task for boards of directors, and highlights the risk that self-interested managers will act opportunistically and in their own interest at the expense of shareholders (Fama, 1980; Jensen and Meckling, 1976). Thus, these agents must be controlled to put sufficient effort towards achieving agreed-upon objectives by the principal of the firm (Jensen and Meckling, 1976).

In the agency theoretical perspective, the most important aspect of chairpersonship is delimited by the question of CEO-duality, a situation in which the position of CEO and board chairperson is shared by the same individual (Daily and Dalton, 1993; Yar Hamidi and Gabrielsson, 2014). Agency theory calls for a separation of the positions of CEO and chairperson in order to secure the adequate execution of the board’s control task under the supervision of an external and independent chairperson (Daily and Dalton, 1997a). This, as discussed above, is not a relevant or critical aspect in owner-managed firms (Bennett and Robson, 2004), and thus a relaxation of some of the agency theoretical assumptions and a search for other relevant theoretical perspective are called for to explain the tasks of external chairpersons employed by owner-managed firms (Huse et al., 2011a).

Boards and board leadership from a resource perspective

Other theories, such as the resource-based view and resource-dependency theory, focus on resources when discussing the tasks of boards of directors and subsequently their chairpersons. Considering the general problem of scarce resources in SMEs (Neville, 2011; Storey, 1994), these perspectives seem to fit the context of owner-managed firm better than the dominant agency view.
According to resource-dependency theory, boards are expected to play an important role in the development of the firm by allocating external resources to the firm. From this perspective, board members have an important role in linking the firm to its external environment and making it possible for the firm and its management to find and allocate the critical resources they need to facilitate value-creation in the firm (Borch and Huse, 1993; Zahra and Pearce, 1989). Hence, from this view, external board members and board chairpersons can help to bridge the gap between the firm and its environment, and to simplify the firm’s resource allocation and formation of alliances, thus contributing to the value-creation opportunities in the firm. The task of the external board chairperson should therefore be to create relations with the critical resource-holders and new markets in the firm’s environment (Knockaert and Ucbasaran, 2013; Hillman and Dalziel, 2003), nurturing a culture of sharing information and networks and building relations among board members.

**Stewardship theory and empowering management**

Stewardship theory rises the board’s advising task to being the primary task of firms’ boards of directors. From this perspective, managers are stewards whose goals are well aligned with the objectives of the organization (Davis et al., 1997). Thus, the board chair does not need to take considerable controlling and vigilance actions to stop self-interested managers. On the contrary, the chairperson should support and advise management to help them perform their duties well. In this view, CEO-duality is promoted and the chairperson and CEO could well be the same individual, thus making it easier to focus on management’s need for advice from its board of directors. This will also create a unity of command that will strengthen management’s executive power while the joint leadership structure provides a unified focus and communicates strong leadership to the external stakeholders of the firm and the community (Daily and Dalton, 1997b).

**Team production theory**

From a team production theoretical perspective, a firm can be envisioned as consisting of a potentially broad constituency of stakeholders (Belloc, 2012), in which strategically important stakeholders can be defined as those who contribute firm-specific assets to the firm (Blair, 1995).
Firm-specific investments (such as financial resources, knowledge, talents and competence) are made by stakeholders who give up their control over the invested resources in the hopes of sharing the benefits from team production in the firm as a legal entity (Blair and Stout, 1999). Thus, all stakeholders, including shareholders, management, employees and creditors, have a “stake” at risk in the firm. In this context the firm must establish due mechanisms to provide incentives for all contributing parties to continue their firm-specific investments in the firm. This is hence a core and important task for its governing body, the board of directors (Belloc, 2012). From this team production perspective, the board chair is responsible for leading the board, and thus the company, as a mediating hierarch with the task of creating incentives for all stakeholders, including owners and managers, to continue investing their unique resources (which could be monetary resources, knowledge, skills or networks) in the firm to contribute to value-creation. Further, from a team production framework, one could conjecture that an open and generous process-oriented boardroom culture is associated with boards’ involvement in the whole strategy process instead of a critical and questioning decision-oriented boardroom culture associated with arms-length strategy ratification and control as proposed by agency theory (Huse and Gabrielsson, 2008).

Table 1: Theoretical perspectives on board governance and chairpersonship

<table>
<thead>
<tr>
<th>Management gestalt</th>
<th>Board’s task</th>
<th>Chairperson’s task</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agency Theory</strong></td>
<td>Managers are self-interested and opportunistic agents seeking to maximize personal benefits and have conflicting interests with objectives of owners.</td>
<td>The board is a monitoring mechanism whose role is to control that agents (managers) work in accordance with the interest of the principal (owners).</td>
</tr>
<tr>
<td><strong>Stewardship Theory</strong></td>
<td>Managers are trustworthy and pro-organizational stewards who place higher value on cooperation than defection and are motivated to act in the best interests of their principals.</td>
<td>The board is a facilitating mechanism whose role is to empower governance structures and organizational mechanisms by giving managers high authority and discretion.</td>
</tr>
</tbody>
</table>
Resource-Dependency Theory

Managers are boundary-spanning strategists that acquire and control resources from the external environment to achieve goals and objectives in the firm.

The board is a linking mechanism whose role is to absorb critical elements of environmental uncertainty into the firm.

The chairperson should act as a figurehead that enhances the firm’s legitimacy in society and helps it achieve their goals and improve performance. Chair actively use own as well as other board members networks to allocate needed resources into the firm.

Table 1 summarizes the theoretical perspectives on board governance and chairperson tasks discussed in this review. As indicated before, there is growing acknowledgment that the role of boards of directors and chairpersons’ task involvement are different in different firms and contexts (Borch and Huse, 1993; Zahra and Pearce, 1989; Huse, 2000). In the context of owner-managed firms, a multi-theory and eclectic approach is probably a more fruitful approach to understand the role of chairpersons than a principal–agent perspective that does not fit the context of these firms (Neville, 2011; Bammens et al., 2011).

To conclude, the vast literature on boards of directors discusses three main tasks for the board of directors and its leadership. Agency theory emphasizes the control task while the resource-based view and resource-dependency stress the service task. Stewardship theory on the other hand underlines the advising task as the most important task, and the team production theoretical perspective underscores the importance of boards’ strategic work and their role as a mediating hierarch (Zahra and Pearce, 1989; Brundin and Nordqvist, 2008; Gabrielsson and Winlund, 2000; Huse and Zattoni, 2008; Huse and Gabrielsson, 2008; Blair and Stout, 1999; Belloc, 2012). Sometimes the service task of the board has been discussed to even include advising and strategizing (Gabrielsson and Winlund, 2000).
Scholarly perspectives on chairperson’s tasks

Whilst the role of chairperson is thought to be vital to development of the work of boards of directors and consequently the firm (Taylor, 2003), studies about chairpersons’ tasks and what they actually do in the boardroom are rare. However, there are still some scholarly discussions about what tasks a chairperson should be engaging in (Cadbury, 2002; Dulewicz et al., 2007; Gabrielsson et al., 2007; Kakabadse, 2006; Roberts, 2002; Taylor, 2003). This research points out that the practices of chairmanship and board dynamics differ greatly around the world (Kakabadse, 2006) and in different firm contexts (Kwon, 2008; Gabrielsson et al., 2007).

As with the discussion on board tasks, the research on chairpersons’ tasks has aimed for different theoretical approaches and has presented a range from one core task for the board (and the chairperson) (Mínguez-Vera and Martín-Ugedo, 2010) to more than ten specific tasks that should be performed by the chairperson of the board (Parker, 1990).

Current research is finding that all board chairpersons are responsible for: (a) the conduct and composition of the board; (b) determining the agenda of board meetings; (c) appointing and dismissing the CEO; (d) chairing the annual general meeting of shareholders; and (e) ensuring that all board members have the necessary information to perform their job (McNulty and Pettigrew, 1999; Roberts and Stiles, 1999). Kakabadse (2006), while conforming to this set of chairperson’s tasks, adds a few other tasks to this, mentioning that it is important for boards to ensure the transparency of their processes and discussions, evaluate the overall performance of the board and individual directors and promote a constructive relationship between the board and management (Kakabadse, 2006).

Yet other scholars have been approaching the diversity of chairpersons’ tasks from different perspectives. Different tasks have been suggested to be relevant for single-tier and two-tier boards (Bezemer et al., 2012) and some archetypes have been proposed for the position of the chairperson, including those of moderator, figurehead, supporter, decision maker, strategist and coach (Gabrielsson et al., 2007). McNulty et al. (2011) identified in their study some tasks associated with the three-way categorization of boards’ roles.

Concluding this theoretical review, it is plausible to argue a need for more contextual studies to suggest more fine-grained tasks for the chairperson of the board in its relevant context. In the next section, a brief description of the cases studied in this article will be given, along with the methodological aspects of the study.
Method and sample

This study is based on in-depth interviews with eight board members of two owner-managed firms. This methodological approach is often considered useful for building theories in new and emerging topic areas where development is needed at both theoretical and empirical levels (Eisenhardt, 1989; Yin, 2013). This approach diverges from mainstream methods in corporate governance research, where archival data and statistical methods have dominated research on boards of directors (Huse et al., 2011a). The study addresses the call for more case studies and a need for process data in research on boards of directors and chairpersonship (Daily et al., 2003; Huse, 2009; Huse, 2007; Boxer et al., 2013). The nascent state of the research and literature urge flexibility in the research method (Roberts and Stiles, 1999).

The two cases

To identify the study cases I applied a theoretical sampling approach (Eisenhardt, 1989). This approach is usually more suitable for studies where new theories are to be developed, while sampling of cases from a general population is unusual for theory building (Glaser and Strauss, 1967). While access to process data research on boards of directors is a challenge for the corporate governance researcher (Huse et al., 2011a), it is important to choose cases which are “transparently observable” (Pettigrew, 1990). The cases in this study were therefore identified in a network of professional board members and directors in Sweden. The inclusion criteria were defined as owner-managed firms in which a non-executive director had been appointed as the chairperson of the board at least five years prior to the study. Eight cases were initially identified and examined according to the inclusion criteria defined for this study. In this search process, all recent publications of news articles about the identified firms in national and local newspapers, financial reports for the firms between 2009 and 2014 and changes in the board configuration over the same period were collected and considered. None of the chairpersons has shares in the companies they serve as chairperson. I accepted the criterion of the chairperson having a minimum of five years on the board and consider this the minimum time needed to establish a trusting relationship with the owner-managers of the company and to develop a thorough understanding of the firm and its owner-managers.

In both cases, the CEOs are also board members with substantial ownership in the firm. The CEO in the first firm (Agrimove) owns half of the total
shares in the firm, and the CEO of the second firm (Delipro) owns one-third of all shares in the company. Firms’ names are fictitious.

Table 2: Summary of Case Study Firms and Their Boards

<table>
<thead>
<tr>
<th>Case</th>
<th>Size*</th>
<th>Scope</th>
<th>Size of the board</th>
<th>Outside directors</th>
<th>Nr. of owners</th>
<th>Turn over MSEK/year</th>
<th>Accessed via</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agrimove</td>
<td>Medium</td>
<td>International</td>
<td>4</td>
<td>2</td>
<td>2</td>
<td>150</td>
<td>Chairperson</td>
</tr>
<tr>
<td>Delipro</td>
<td>Small</td>
<td>National</td>
<td>4</td>
<td>1</td>
<td>3</td>
<td>186</td>
<td>Chairperson</td>
</tr>
</tbody>
</table>

* Size definitions based on EU classification by number of employees: micro < 10, small < 50, medium < 250, large > 250

Case descriptions

**Agrimove** is an innovative firm with most of its market in Europe. Recently it started to establish alliances in the North American market to expand its business. A thorough development of the production lines with the latest technology in combination with skilled workers gives the company a unique position in its niche in the market. The company has been growing steadily and over-matched its plans for turnover several times in the last five years. New product series and modulated production with heavy investments in product development have been important investments and innovations in the firm over the last decade. Agrimove is owned by two owners, who each have a 50 per cent share. The board today comprises the two owner-managers and two external board members. One of the external board members is the chairperson of the board and has been for the five years prior to the study. The other non-executive board member was elected one year prior to the study (2013).

**Delipro** is owned equally by three owners. The firm is in the food industry, which is rather conservative, with hard competition from large actors in Sweden. All three owners are members of the senior management team and also board members in the firm. The external chairperson was elected to the board before the last succession process performed as a buyout a few years ago. The chairman was actively involved in the design of the buyout process, which took almost four years. One of the owners, a trained economist,
is the CEO of the company. Each of the three owners owns one-third of the total shares in the company.

Data collection

As usual in case study approaches to research, data collection was performed using a range of methods (Huse and Zattoni, 2008; Machold and Farquhar, 2013). Following initial contact with the chairpersons of the boards, a first contact with each firm was arranged by visiting and interviewing the owner-CEOs. Each interview was planned in two main parts. First, the interview focused on obtaining background information on both the firm and the board; in addition it served as a vehicle for discussing the study and addresses any concerns by participants regarding confidentiality and anonymity. The second part of the interview focused on the CEOs’ perception of the work of the board and the chairperson. Each interview took approximately two hours, which included discussions about the aim of the study and the background of the firm. Aspects of the interviews included: owner structure; the industry and its condition; the competitive situation of the firm, including discussion about large customers and important competition for the firm’s products; the innovativeness of the firm; the firm’s strategy development processes; board composition; and the CEOs’ perception of the task and responsibilities of the chairperson. Further, information about the board chairperson and contact information for all other board members and owners were received at the end of the interviews.

During the first visit at each company I met with the CEO, who showed me around the company and described the production, administration and the firm’s vision, mission and plans for the future. Later, the CEO also helped me to establish contact with all other owners and members of the board. These contacts were followed up by me and new appointments were made with all board members.

All respondents were informed by the CEO about the aim of the study; however, all interviews started with a brief explanation about the purpose of the interview. The interviews were recorded and transcribed to make the process of analysis more structured. All interviews with the owners took place at the company venues. The board chairpersons and the external board members were interviewed at the university or in their home if requested at their convenience.

Through the data collection process, all efforts aimed to establish a close dialogue with the owner-managers and chairpersons of the firms under study. This would allow me to gather thorough and reliable data and devel-
op testable, relevant and valid theory on board leadership in the context of SMEs (Glaser and Strauss, 1965).

Multiple sources of data were used to collect relevant information, giving me the possibility of triangulating my findings (Eisenhardt, 1989). These data sources include, among others, face-to-face interviews with chairpersons, owners, CEOs and board members in each firm. A total of eight interviews were performed.

Several steps were taken to ensure robustness in the study design and data collection process (Machold and Farquhar, 2013), including: (a) prior research and information gathering on the firms and the boards to ensure familiarity with the research context; (b) a design and the flexibility to meet with the interviewees on their terms to create a familiarity between the researcher and the participants; and (c) end-of-observation feedback to the boards and participants were promised and given to both incentivize to participate and verify emerging findings (Leblanc and Schwartz, 2007).

Interviews were conducted between 20 June 2015 and 15 August 2014. The interviews were semi-structured and flexible enough to ensure that the discussion could reveal the respondents’ experiences and understanding of the inner work of the boards of directors, their role and the task of the board chairperson. These semi-structured interviews are designed to capture the “life stories” of the owners and board members (Huse, 2005) or “insider accounts” of all parties among owners and board members (Ekanem, 2007). The interviews’ durations vary between one and two hours. All interviews were recorded and transcribed to enable systematic analysis.

For the purpose of this study, the following questions were discussed with the respondents:

- Why the external chairperson was appointed;
- How the owner-managers found the candidate;
- The respondents’ perception of the role of the chairperson;
- The kind of expectations the owners had of the chairperson;
- What the chairperson actually does at and between board meetings;
- Descriptions of chairpersons’ relationship with the CEO;
- Chairpersons’ relationships with other owners;
- The questions on the agendas of board meetings;

The same questions, modified appropriately, were also asked of the chairpersons of the two firms and the external board member in Agrimove.

In addition, I collected relevant archival data regarding firm financial records, board meetings protocols etc. Furthermore, all news articles about the firms in national and local newspapers, and changes in the board configuration during the same period were collected and studied.
In one case (Agrimove), participation at one board meeting was conducted following the last interview in the company, in which the participating researcher acted as a “fly on the wall”, just observing the meeting processes and its dynamics while taking notes (Huse and Zattoni, 2008).

Data analysis

The process for analysing the empirical data can be described as a systematic process of theory building (Eisenhardt, 1989). In this process, focus moved from specific observations to detect patterns and regularities with the intent to finally end up in some general conclusions and tentative propositions. The core of the analysis is denoted by the answers from the respondents and verified by information collected from other sources.

The process of analysing data began simultaneously at the time of collecting the data in order to make sense of the rich data collected (Shaw, 1999). Data analysis in case study research is an eclectic process (Creswell, 2013). Although there is no single best practice for analysing qualitative data (Yin, 2013), we could by within-case and cross-case analysis reveal some common perceptions and understanding by the owner-managers and the chairpersons and board members in the study regarding the role of the chairperson and his task involvement.

Following an interview, a transcript was produced. Interview transcripts were analysed sentence by sentence and coded against a task category list generated from the theoretical review. Ideas gathered from the literature review served to orient the field work, but these ideas were constantly compared and contrasted with the words and description from respondents, the notes from the interviews and other pieces of information collected during the data collection process. Some overlapping themes were merged and some themes emerged to capture the task the chairpersons were performing. Within-case and cross-case analyses were performed to understand whether observations of interesting parameters were unique to an individual case or if they represented a trend for both cases (Miles and Huberman, 1994).

To summarize, the cases in this study are both owner-managed firms which employ non-executive directors and external (no ownership in the company) chairpersons of the board. Product development and organizational changes have been some of the characteristics of the firms. The results from the study will be discussed in the next section.
Findings

Based on the case evidence and in line with our theoretical discussion, every identified task for the board chairperson was individually examined in the interviews with the respondents. The chairpersons’ understandings and perceptions of the task they were involved in and the owner-managers’ expectations in large related to the theoretical tasks identified in prior research. However, the evidence illustrates also some new perspective that was revealed piece by piece by analysing the content of the interviews with owners, chairpersons and board members.

My analysis of the data provides a more nuanced understanding of the chairperson’s task and role of the board of directors in regard to the theoretically driven tasks from previous research on boards of directors and chairpersons. The analysis underline the importance of the quality of board processes and the chairperson’s task involvement, as well as the authority and integrity of the chairperson as key factors for developing the work of the board of directors.

I would say that it is not about some industrial process in the board room, but this is more a board process where we are, so to say scrutinizing the input we have and the facts we have, and come to plausible conclusions. The strength of the owners in this company is that they never get into a fixed idea for a solution but keep their mind open. (Chairperson, Agrimove)

Scrutinizing

A theoretical task elevated chiefly by agency theory is the control task of the board and the chairperson of the board. However, none of the respondents – neither the chairpersons nor other board members or owner-managers – interviewed in this study would describe the task of the board or its chairperson as control as the agency theoretical sense of control assumes. However, it is suggested at several occasions that the external board chairperson has an important role in scrutinising the proposals and reports presented by owner-managers at board meetings. This indicates that the chairperson is expected to make sure that reports and material distributed to the board are accurately produced by the appointed party and examined by the board and its chairperson regarding its content and the accuracy of its facts. Further, the chairpersons should make sure that decisions are notified in the protocols from the meetings and that these are followed up systematically by the board at future board meetings.
After each board meeting the minutes are summarized in a protocol. Which decisions are made, who is responsible for the delivery etc. is in the protocol. At the next meeting it will be a follow up by the chair on these decisions. (Owner, Delipro)

Interestingly, both external chairpersons and owner-managers agree that owner-managers have the most profound knowledge about firm-specific development projects and opportunities. The fact that these owner-managers sometimes were “born” into the company makes it unlikely, if not impossible, for any outsider, by only serving on the board of directors, to become as familiar with the business than these insiders. It would probably take decades for any external party to the firm to arrive at the same level of firm-specific knowledge, including operational aspects, market and customer familiarity and competitors, as the owner-managers. The value added by the chairpersons in this study develop discussions by asking relevant questions that make the owner-managers rethink and sometimes revise their suggestions and strategies for the firm. Thus, they are contributing to more deliberate decision making by systematically scrutinizing suggestions discussed at the board meetings.

Because we know this business really well, all the decisions we present at the meetings are elaborated thoroughly and there are analyses in details. Once we get to the board and say that we would want to buy this machine for twenty-five million or whatever so there’s not a board in the world that can say “it does not seem wise”, because it's well thought out. (CEO/owner, Agrimove)

In other cases, when the chairperson actually confirms a suggested strategy or decision after a round of discussions, it is basically the power of confirmation by some knowledgeable, engaged external party that is the gain for the owner-managers. Thus, the task for the chairperson goes beyond just advising and also encompasses a considerable share of scrutinizing the rationale and motive for an action suggested by the owner-managers. Thus, scrutinizing is a more suitable label for the chairperson’s task in the context of owner-managed firms.

Although if I have a good idea so can the board say, yes it is a great idea and then it will make me confident in it. Well, ok, it’s probably not such a bad idea. There are more people who think this. (Owner, Agrimove)
This is expected to result in better and more-deliberated decisions based on the owner-managers’ ideas in collaboration with the board and its chairperson.

Mediating

A second task referred to in our data is the mediating role of the board and its chairperson. The respondents in the study describe the boardroom and their board meetings as an innocuous arena for breaking in ideas among different groups of owners or individual owner-managers.

Sometimes we got stuck in a discussion, even if we were friends and never got angry at each other, we could never go forward. The board has changed that completely because the board is now where we can discuss all kinds of issues, and my co-owner and I get the two outsiders who share their ideas about what he and I say and sometimes they back up me and other times take his party. (Owner, Agrimove)

This furnishes the owner-managers with an opportunity to discuss strategic questions openly and sometimes, while disagreeing on plans and strategies, having constructive cognitive conflicts without the risk of ending up in any kind of affective conflicts. The external chairperson, who balances the discussions and acts as a mediator between different stakeholders/owners on the board, is expected to make it possible to create such an arena. This arena can also be used as a place to discuss some owner-related questions if needed. However, the relations and contracts between owners is not an issue to be discussed at board meetings generally. This kind of owner issues could risk the functioning of the board and disturb the otherwise autonomous mediating task of the chairperson. Our chairpersons agreed on the fact that external board chairpersons should avoid involvement at board meetings in owner relations and questions that do not explicitly relate to the strategic work of the board and the welfare of the company. However, there is an understanding of the fact that the chairperson sometimes might need to counsel the owners to find a reasonable consensus for their ownership relations and contracts if they want this. That, anyway, should rather be done in other forums created by owners themselves, rather than in the boardroom.

They were then four owners and they agreed very rarely upon issues. They thought they would have a fifth person who would step in as chairman and decide for them. I will not I said, because then I somehow will end up as the fifth wheel which alone makes the decisions when it becomes two camps.
love to be involved but we have to work out something that I call for con- 

The mediating role of the chairperson in owner-managed SMEs is con- 

The mediating role of the chairperson in owner-managed SMEs is con-

confirmed by all parties among the respondents from our case firms and exem-

plified by different stories from the everyday work of the firms. This is about chairperson mediating to control shirking, resolve decision making 

and encourage firm-specific investments from all stakeholders to further value creation in the firm (Blair and Stout, 1999; Kaufman and Englander, 

2005).

Gap-minding

A third task, which appears to be a common understanding among respond-

ents and which is obvious from the analysis, is the identification of knowledge gaps in management and the organization. Boards of directors’ involvement in strategy is a recognized task for the board of directors in existing research on boards of directors and governance. Strategy development demands in-depth knowledge of the firm and its business, including knowledge of potential future development projects. This is often the owner-managers’ domain. Owner-managers usually have extensive insight into and experience of the firm and its business. They are well acquainted with the market and their customers and, thanks to many years of insight (some-
times over several generations), they can come up with thorough analysis 

and suggestions on how to develop strategies for the firm.

However, these owner-managers often have limited managerial know-

how (Brunninge and Nordqvist, 2004) and lack extensive managerial experience, which makes them limited in their abilities to come further with strategy development (Cowling, 2003).

I've only been here, just been on Delipro my whole life, I've never been on some other workplace and it makes you that one becomes pretty … you get tunnel vision, that's how it works. (Owner, Delipro)

This is sometimes without any self-awareness about the lack of knowledge and competence in the management team. The chairperson who identifies 

and minds the knowledge gaps in the firm and the senior management team could therefore be of enormous value to the firm. By illuminating the gaps in knowledge and competence, the chairperson can help to fill them with the existing skills and experience in the board or by hiring appropriate consult-
ants or employing relevant talents to the firm. Identifying the most-needed resources, talents and insights is thus another important contribution to strategy in the context of owner-managed entrepreneurial firms where owner-managers are unaware of and unable to identify or find the relevant resources or expertise they need to develop strategies for the firm.

Alibiing

Finally, and somewhat surprisingly, I found an emerging task in this context of owner-managed firms, characterized by the close relationship between the owner-managers and their employees, customers and suppliers, which is intuitive but not obvious. A chairperson with authority in an owner-managed firm might give the owner-manager justifications (alibis) in situations characterized by tough decisions and high risk. When the owner-manager’s relationship with other stakeholders might be at risk or in aggravating circumstances, the owner-managers could delay a decision or remit a decision to the chairperson of the board. For example, this could be the case when negotiating with customers or in some internal firm affairs where owner-managers are trapped in historical relations that limit their objectivity and jeopardize their relations.

… perhaps, sitting in negotiations with both customers and suppliers, both in the negotiating game, but to actually be able to say this, I have to pull my board. I have received the board's instructions that I can go here but no longer. I have to go back and check. It gives a different weight to the company, to be able to say that I have a chairman who is my superior and I cannot do what I want. You own the firm they might say! Yes, yes, but I have a board he could respond! (NED, Agrimove)

In this example, the alibi will buy the CEO (owner) time to make deliberate decisions and have an opportunity to evaluate the situation when pushed to give an answer by a business party. Another example emerging from the interviews is when the firm has to lay off employees. It might be people that the owners know personally and have long relations with the employees who have to leave in order to secure the survival of the firm. This kind of decision is easier to communicate through the board of directors and with the board and its chairperson as an authority for the decision instead of the owner-managers themselves.

Alibiing is thus another task for the chairpersons in owner-managed firms. This means that the chairperson furnishes the owner-managers with decisions and motives that are taken by a superior authority within the firm.
As argued above, the chairperson as a mediator with the task of considering the rights and interests of all stakeholders will give the owner-managers a legitimate forum in the board to handle and communicate tough decisions.

To summarize, in this study I identify new and complementary perspectives on how chairpersons’ tasks may develop into and be complemented with new angles in the context of owner-managed firms. In these firms, the owners are represented at all layers of firms’ governance mechanisms but may choose to employ a non-executive chairperson to lead the work of the board of directors. Worldwide, owner-managed firms are the most numerous of all firms.

The four tasks revealed in the analysis in this study are scrutinizing, mediating, gap-minding and alibiing. These may have aspects which overlap with the theoretical tasks discussed in previous research but they also illuminate some new angles of the chairperson’s task involvement in the context of owner-managed firms.

Further, it seems that the approach of discussing chairpersonship from different theoretical perspectives presents some evidence that the team production approach, with its focus on the board as a mediating hierarchy responsible for allocating firm-specific and critical resources to the firm by performing its gap-minding task, may suit and be a complementary perspective when discussing the tasks of chairpersons and boards of directors in this context.

**Implication for theory**

In this study it is suggested that an eclectic view of corporate governance and the leadership of the board of directors might be a more fruitful approach than the prevalent view of agency theory. A short review of some other theoretical perspectives relevant to corporate governance and board leadership is presented and three tasks are deduced from the extant literature on the subject. These tasks for boards of directors and their leadership are controlling, advising and strategizing.

This article develops a new conceptual apparatus based on empirical evidence in the case studies. Four concepts capable of extending our understanding of the tasks of chairperson in the context of owner-managed firms and of complementing those already-existing concepts in the literature were identified. Scrutinizing, mediating, gap-minding and alibiing are the tasks that my analysis of interviews with respondents raises about what external chairpersons do in the context of owner-managed firms. The extant research on boards of directors lacks a comprehensive discussion about the task of
non-executive chairpersons in owner-managed firms. Thus, this study contributes to the research on boards of directors in at least three ways.

First, the four tasks and the new terminology identified in this article offer new angles on the understanding of the task of chairpersons in owner-managed firms. To view and discuss chairmanship in the context of small and medium-sized enterprises and, more specifically, owner-managed firms, researchers need to develop new terminologies that may describe the different contexts in a more nuanced way and live up to the actual contingencies of each context. By proposing some new concepts as tasks for the non-executive chairperson in this specific context, as compared to the usual large listed companies, this study opens up new and promising paths of research and development in the study of boards and chairmanship.

Second, while viewing firms as the nexus of firm-specific resources as proposed by the team production theory contrary to the agency theoretical view of firm as a nexus of contracts, this study finds the tasks identified in this study closely connected to the core of the theoretical understanding of the firm in a team production view. Viewing the firm as a nexus of firm-specific resources, team production theory envisions the board of directors as a mediating hierarch to control shirking, resolve decision making and encourage firm-specific investments to heighten the value creation potential of the firm (Blair and Stout, 1999). While Blair and Stout (1999) examine team production theory at the level of large public corporations, this study uses the potential of this theory to explain the tasks of non-executive chairpersons in the context of owner-managed firms.

From a team production perspective, as well as in the context of owner-managed firms, there is no need for the controlling of self-interested managers, since in this setting the owner-managers are present in several governing layers of the firm, including the senior management team of the firm, and can oversee and protect their rights by themselves. However, there is a need for a mediating figurehead (Gabrielsson et al., 2007) who can turn the diverse ideas of different owners and other stakeholders to constructive discussions and advance these discussions to anchored decisions among all stakeholders with the aim of developing the firm’s value creating potentials. The mediating task is therefore in owner-managed firms a core task for the board and its chairperson, as proposed by team production theory and pointed out in this study.

Further, when the chairperson of the board engages in gap-minding regarding the resources and competencies that are essential to the firm, they might propose extending the team with new members who can invest important firm-specific resources, talents and expertise in the firm. By engaging in the gap-minding task, the chairperson creates incentives for the pre-
sent stakeholders in the firm and the new candidates to be introduced to the firm to invest their firm-specific resources. These new investments in a team production effort could be offered by a new employee or by external parties such as customers, suppliers or consultants with relevant knowledge, and will be compensated fairly through the efforts and engagement of the board of directors and its chairperson.

Hence, this article, by using evidence from empirical studies, extends the applicability of team production theory to the context of owner-managed firms and small and medium-sized enterprises. Following the arguments in this article, team production theory seems to be a particularly pertinent theory for viewing boards’ and chairpersons’ tasks in SMEs, particularly in owner-managed firms. These firms, due to their characteristics, including lack of managerial competence, extend owner representation in the boardroom; overlapping governance structures and a lack of important resources bring the great benefits of having active boards and chairpersons (Brunninge et al., 2007; Cowling, 2003; Storey, 1994).

Finally, this study underlines the need for more balanced and eclectic studies of boards of directors to develop a close and relevant understanding of how boards’ and chairpersons’ tasks evolve. This includes the use of both new theoretical and methodological perspectives to capture the relevant contingencies of different firm contexts. Although small and medium-sized enterprises are a broad range of firms with very different characteristics, the majority of these are owner-managed firms with owners represented in all layers of the governance system in the firm. Thus, this study opens up some important new paths for the development of research on small and medium-sized enterprises.

Implications for practice

This study has various implications for small firm owners, board members, managers and chairpersons in owner-managed firms. By developing new concepts of the tasks of the chairperson, the article gives a broader perspective on what non-executive chairpersons in owner-managed firms do when engaging in board work. For owner-managers, the practical perspective of the article gives ground for developing their outlooks and creating relevant expectations to be fulfilled by potential external chairpersons.

The paper also contributes to actionable knowledge about how to organize and promote effective chairmanship and board work in owner-managed firms. Growth-oriented firms often operate in complex and turbulent environments, which in turn call for a need for responsive governance structures
that can aid their development and growth (Zahra, 1996; Sanders and Carpenter, 1998). This study presents an empirically grounded theoretical framework with the potential to inform scholars and practitioners about how to promote effective chairmanship in owner-managed firms.

Limitations and suggestions for future research

This study included two owner-managed firms in its sample. To further develop this stream of research and create a better understanding of the tasks of the chairperson in owner-managed firms and small and medium-sized enterprises, researchers need to go further and test the findings of this study in larger samples of firms and other contexts of the broad range of firms. Further, it is interesting to study more closely how the appointment of non-executive chairpersons affects the behaviour and work of boards of directors. A study of why owner-managers choose to appoint a non-executive chairperson and what circumstances affect that decision is a truly interesting path with potential insights for policymakers. This study is a step towards developing team production theory in the context of small and medium-sized enterprises and the chairmanship of the board. This will need more and deepened theoretical discussions and data analysis to create a valuable contribution to the theory and practice of chairpersonship in the context of small and medium-sized enterprises.
References


Corporate governance and innovation in small entrepreneurial firms: The board chairperson’s role

Daniel Yar Hamidi and Jonas Gabrielsson

Introduction

The board of directors is an untapped resource in many small firms (Castaldi and Wortmann, 1984; Huse, 2000). Research shows that active boards may contribute ideas and new perspectives on how to develop small firms and their operations (Borch and Huse, 1993, Gabrielsson, 2007b, Gabrielsson and Politis, 2007). This research stream finds that active boards can help small firms discover and exploit market opportunities and can facilitate new product development (Zahra et al., 2000, Borch et al., 1999). Given these findings, the small firm may well benefit from actively using its board of directors in ways that promote its innovation, leading to increased competitiveness.

Empirical studies suggest that the chairperson may play a key role for leading and developing the board of directors in small firms (Gabrielsson, Huse & Minichilli, 2007; Huse & Zattoni, 2008; Machold et al., 2011). However, most research that has addressed questions related to the chairperson has been heavily influenced by theoretical and methodological approaches that treat the inner workings of boards as a black box (Gabrielsson and Huse, 2004a, Huse and Gabrielsson, 2012). This research relies primarily on agency theory in its conception of the firm (Fama and Jensen, 1983) where the question has been whether or not the Chief Executive Officer (CEO) should be removed from the chairperson position (Daily and Dalton, 1993; Daily et al., 2003). On the other hand, the few studies that have been conducted on chairpersons and their leadership behaviors have so far been largely descriptive (Leblanc, 2005; Huse & Gabrielsson, 2012). Thus, there is a lack of theory on the leadership role of board chairperson and how they
can promote innovations via the board of directors in small entrepreneurial firms.

Against this backdrop, the overall objective of the chapter is to build a framework that addresses how board chairpersons can develop innovation-promoting boards in small entrepreneurial firms. We use Miller and Friesen’s (1982) definition of the entrepreneurial firm as a firm that seeks innovation and accepts the related changes and risks (see also Miller, 1983). Moreover, we use the conceptualization of innovation as the generation and/or adoption (or use) of new ideas or behaviours in organizations (Damapour, 1991; Gopalaskrishnan and Damanpour, 1997).

We contribute in this chapter to theory and research on corporate governance in entrepreneurial contexts in several ways. The first contribution is its proposal of a conceptual framework for how board chairpersons may create and sustain innovation-promoting boards of directors in small entrepreneurial firms. We develop this framework using a qualitative interview methodology in which we examine how board leadership can support and nurture innovation. With this examination, we respond to the research call to open up the board of directors’ “black box” (Huse, 2005; Huse and Zattoni, 2008).

The chapter’s second contribution is its theoretical and empirical comparison of innovation-promoting practices by the boards of small entrepreneurial firms with other practices by such boards. This comparison reveals no fundamental difference between such practices; rather, innovation-promoting practices are an extension and continuation of other board activities.

The chapter’s third contribution is the finding that the dynamics of board behaviour in small entrepreneurial firms can be seen as relatively complex social systems (Huse, 1998; Sonnenfeld, 2002) largely embedded in processes of interdependency and causal asymmetry. This finding calls for theoretical frameworks and methodological approaches that emphasize and acknowledge such complexity in their logic and design.

The rest of the chapter is structured as follows. In the next section we review the contemporary research literature on innovation and corporate governance. We next describe our qualitative interview methodology. Thereafter we present our findings and a discussion on how these findings contribute to the research on board leadership. The chapter concludes with a summary of our main findings and with comments on the implications of our research for theory and practice.
Literature review

Innovation and corporate governance

Intense competition and technological development in many industries exert pressure on small firms to respond and adapt to rapid changes in their environments (Mazzarol and Reboud, 2009). These changes create constant pressure to develop new products and more efficient production processes. Innovations – the very lifeblood of firms – are essential for sustained competitiveness and long-term survival. An explicit commitment to innovation is increasingly prioritized in small firms as a way to come up with novel solutions to customer problems and for the creation of future revenue streams (Meseghem, 2003; Wiklund and Shepherd, 2005; Lechner and Gudmundsson, 2014).

Our focus in this chapter is the generation or adoption of innovations at the level of the firm (Burns and Stalker, 1961 [1994]; Thompson, 1965) rather than the process by which innovations are communicated among members of a social system (e.g., Rogers, 2003). We also focus on firm innovations that can (at minimum) result in a new product, service, process, market, organizational structure or administrative system (Zahra, 1991; Gopalakrishnan and Damanpour, 1997).

Research suggests that a firm’s corporate governance structure has a profound influence on its innovative capacity (Zahra, 1996; Zahra et al., 2000; Gabrielsson, 2007a). Hambrick et al. (2008, p. 381) define corporate governance as ‘the formal structures, informal structures, and processes that exist in oversight roles and responsibilities in the corporate context’. These oversight roles and responsibilities include the development and implementation of organizational routines and reward systems that encourage attitudes and behaviour consistent with the firm’s mission and goals.

Corporate governance in small firms

Much of the research on corporate governance is concerned with large, publicly owned corporations in which there is a clear separation between ownership and management (Gabrielsson and Huse, 2004). This research emphasizes the necessity for independent corporate governance structures that give managers the incentive to act in the interest of the owners rather than in their own self-interest (Zahra et al., 2000; Gabrielsson, 2007a). At small firms, however, there is often a close relationship between owners and managers; in some cases, the owner and manager are the same person. In this
situation, independent corporate governance structures are less critical (Jensen and Meckling, 1976).

Small firms, in relation to larger firms, generally have fewer resources and competencies (Mazzarol and Reboud, 2009), less experience and less economic and political power (Pfeffer and Salancik, 1978). Thus small firms must be more flexible in their use of their resources and competencies that are essential for their long-term viability and health (Mazzarol and Reboud, 2009). For competitive advantage, small firms require supportive governance functions (Warren, 2003) that can expand their competencies and experience when developing, reviewing and revising long-term plans (Brunninge et al., 2007; Gabrielsson and Politis, 2007; Minichilli and Hansen, 2007) and that can establish effective linkages with strategically important stakeholders (Borch and Huse, 1993; Huse and Zattoni, 2008).

The board of directors and the role of the chairperson

The board of directors is a key component of good corporate governance (Huse, 2000), especially in small entrepreneurial firms engaged in innovation (Zahra et al., 2000; Gabrielsson, 2007a). Board members in small firms are typically charged with supervising the overall development of the organization (Bennett and Robson, 2004), managing relationships with key stakeholders (Borch and Huse, 1993; Huse, 1998; George et al., 2001) and acting as the CEO’s partner in setting strategic directions (Fiegener, 2005, Knockaert et al., 2015). Effective board members are thus a powerful strategic resource for the creation of competitive advantage. They often contribute important business networks, specialized know-how and experience to the firm’s strategic decision-making processes (Gabrielsson et al., 2007; Machold et al., 2011).

Empirical research, however, finds that developing the boards of directors in a small firm is a particularly challenging task. Surveys of board members at small firms (e.g. Ward and Handy, 1988; Fiegener et al., 2000; Gabrielsson, 2007b) indicate the boards of such firms typically consist of the owner-managers and his/her family members. If a firm has additional board members, these people are often the firm’s attorney and/or friends and business associates of the CEO (Corbetta and Tomaselli, 1996; Johannisson and Huse, 2000). A patriarchal power structure may exist when board members are linked to the firm by family ties or friendship (Ward and Handy, 1988). These board members may also be influenced by ‘group think’ (Brouthers et al., 1998). As a result, the small firm’s board of directors may lack the power and integrity needed in their governance support function.
Small firms seeking to empower their board of directors often recruit an external board member as the board chairperson (Huse and Zattoni, 2008). The chairperson, who has same voting rights as any other board member (Baxt, 2009), has additional responsibilities. These responsibilities typically include scheduling board meetings, overseeing board processes, and developing a board culture that encourages participation and supports decision making (Furr and Furr, 2005; Kakabadse et al., 2006). In addition, the chairperson is expected to run board meetings in a way that permits discussion aimed at ensuring strategic and policy decisions are consistent with company goals, owner directives and bylaws (Parker, 1990; Leblanc, 2005).

However, with no formal authority over other board members, the board chairperson must rely on his or her personal experience and leadership qualities to turn a group of people with diverse personalities and backgrounds into an interacting and collective team (Gabrielsson et al., 2007). Therefore, the board chairperson must take an active role as a boardroom leader to unlock the potential on the team (Parker, 1990; Cascio, 2004). Small entrepreneurial firms especially require competent and forceful board chairpersons who can facilitate board leadership and drive the organization forward (Huse and Gabrielsson, 2012).

The selection of an effective board chairperson requires an understanding of the behavioural dynamics of the boardroom and this is an understanding not often addressed in the general theories and models on board leadership (Huse and Gabrielsson, 2012). Much of the research on board leadership is grounded in agency theory (Fama and Jensen, 1983) in which the emphasis is on the independence of the board from the firm’s managers, in particular the CEO. This research has often focused on the problematic situation when the same individual holds both the CEO and the board chairperson positions (Daily and Dalton, 1993; Gabrielsson and Huse, 2004).

While this research stream has provided valuable insights into the drivers of board effectiveness at large, publicly held corporations (Krause et al., 2014), the findings have less relevance for the analysis of boards of directors and their chairpersons in small entrepreneurial firms (Huse, 2000). In addition, with the emphasis on agency theory in the research on the role of the board chairperson, no theory or model has been developed that addresses how the board chairperson may promote innovation and an entrepreneurial culture (Taylor, 2001, Huse and Gabrielsson, 2012).
Methodology

Because board of directors’ meetings are inaccessible research settings (McNulty and Pettigrew, 1999, Huse, 2000), most research on boards relies on data from various published reports about and by large, publicly held companies (Yar Hamidi and Gabrielsson, 2012). As an alternative data collection methodology for this research, we mainly used qualitative interviews with board chairpersons. This approach (see Silverman, 2001; Rubin and Rubin, 2012) is useful for building theories in new or emerging areas where development is needed at both the theoretical and empirical levels (Eisenhardt, 1989b, Yin, 2013).

We also used a number of other sources to verify and crosscheck data from the interviews. These sources included annual reports, press releases and newspaper articles.

Data collection

We first designed a preliminary interview questionnaire that we could use with small entrepreneurial firms engaged in innovation. The questionnaire consisted of questions about the generation and/or adoption of innovations (Rogers, 2003, Damanpour, 1991) and how this work related to the board chairperson’s efforts to lead and influence board members (Huse, 2000, Covin et al., 2001, Huse and Gabrielsson, 2012). We tested this preliminary questionnaire in a pilot test with an experienced board chairperson. Based on this input, we revised and finalized our interview questionnaire.

Sample

We used purposeful sampling (e.g., Patton, 2002) to identify respondents who could provide relevant data. This procedure is appropriate for our qualitative interview methodology and our goal of generalizing our findings (Yin, 2003). We had three criteria for the selection of our sample. First, each firm would have a history of growth that was driven by the generation or adoption of innovations. Second, each firm’s board chairperson would have extensive managerial and board of director experience. Third, each firm’s board chairperson would be an outsider without controlling ownership in the firm.

We determined our sample size following the principle of theoretical saturation (Glaser and Strauss, 1967). Thus, we ceased interviewing respondents when our data no longer added new insights to our research. Our final sample consisted of six respondents with considerable experience as board members and as board chairpersons at entrepreneurial firms. Some of these
companies were fully owned family businesses while others were partially owned by investment companies. All respondents had been externally recruited as board chairpersons and had no other employment or assignments at the firms. Either the investment companies or the owner-manager chose the chairpersons. Table 1 describes the six respondents.

Table 1. Description of the respondents

<table>
<thead>
<tr>
<th></th>
<th>Alex</th>
<th>Burt</th>
<th>Chandler</th>
<th>Douglas</th>
<th>Ephraim</th>
<th>Figaro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>68</td>
<td>52</td>
<td>57</td>
<td>70</td>
<td>58</td>
<td>72</td>
</tr>
<tr>
<td>Educational background</td>
<td>Law</td>
<td>Engineering</td>
<td>Engineering</td>
<td>Engineering</td>
<td>Business/economics</td>
<td>Engineering</td>
</tr>
<tr>
<td>Main industries</td>
<td>Banking, production, professional services</td>
<td>Textile, chemical production, service</td>
<td>Production plants, metal, services, finance</td>
<td>Metal, production plants, Professional Services</td>
<td>Construction, production plants</td>
<td>Software, production plants, professional services</td>
</tr>
<tr>
<td>Total no. of board engagements</td>
<td>13</td>
<td>8</td>
<td>17</td>
<td>7</td>
<td>21</td>
<td>9</td>
</tr>
<tr>
<td>Total no. of board engagements as chairperson</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

We used our interview questionnaire for all interviews. Because we did not intend to test any formal hypotheses, we used open-ended questions that could lead to inductive theories (Eisenhardt, 1989b). Thus our questions were flexible yet sufficiently structured that the present and past work experiences of the board chairpersons were always in focus.
We also used a chart in the interviews that was constructed using the theories about the generation and adoption of innovations (Damanpour and Daniel Wischnevsky, 2006, Rogers, 2003). Using this chart, we invited the respondents to describe their involvement with business innovation.

The interviews lasted about 1 hour. We tape-recorded and transcribed all interviews. In addition, we conducted a number of follow-up telephone interviews where clarification of responses was required.

**Method of analysis**

We analysed our interview data using a systematic process of theory building (Eisenhardt, 1989b, Yin, 2013). We verified some factual data in the interview responses by comparisons with other sources. In our analysis, we identified observations and patterns that could lead to general conclusions.

We began our data analysis at the same time that we collected data. This analytical method is a recommended strategy in qualitative research (Glaser and Strauss, 1965). Therefore, we analysed our first interview with the intent of identifying the building blocks of a framework that explains how the board chairperson may support innovation in small entrepreneurial firms. Concurrently, we thought about how this initial framework might relate to existing theory. As we analysed all the interview data, we conducted within-case analyses and cross-case analyses. Our goal was to determine if the framework applied only to areas of interest in the first interview or to all interviews (Miles and Huberman, 1994). In short, we analysed each chairperson’s responses individually as well as jointly with the other chairpersons’ responses. We continued this iterative process until all interviews were analysed and compared.

**Analysis and discussion**

**The role of the board chairperson**

Our analysis suggests that the chairpersons have a very pragmatic understanding of their role as leaders of the board of directors. Their mandate, which is to a large extent based on trust (Huse, 1998), is typically to act as moderators and facilitators. Chairperson Ephraim stated:

> Usually it [the leadership] is very unpretentious. There is no leadership [in a formal sense]. I do not see it [my chairpersonship] as [formally] leading others. I see my role more as a catalyst or maybe somehow, someone who moderates the meetings to make them as effective as possible
Several chairpersons emphasized trust and confidence as central features of the relationship between the chairperson, the other board members, the CEO and the owners. A trusting relationship gives the chairperson the authority to conduct board meetings. Chairperson Chandler stated:

Yes, chairpersonship in this kind of company is very much about high trust between the chairperson and the owners. By building trust in the board and by allowing other board members to take the lead in discussions in which they are most knowledgeable, the chairperson may convince the owners to take some action. This may include investing in risky innovation processes.

The owners set the course for the firm that provides the overall frame for the responsibilities and activities of the board chairperson. The chairperson must understand and follow the mandate to develop the firm’s innovation work. Otherwise, the board, lacking commitment, will only pay lip service to innovation. Chairperson Douglas stated:

You must be animated by the idea of renewing the firm. Probably not all directors are inspired by it [promoting innovation] and understand its consequences. I can very well imagine that many see themselves as the chairperson who should monitor and control instead of taking a proactive position.

The framework for innovation promotion by boards of directors

We identified the building blocks of a framework that explains how a board chairperson may support innovation in small entrepreneurial firms. These building blocks are 1) structures, 2) processes, 3) culture and 4) cognition. The first three building blocks are essential for innovation-promoting boards although they are not directly associated with the support of innovation. The fourth building block, cognition, is directly associated with the support of innovation.

In interpreting, systemizing and structuring our data, we were inspired by Herzberg’s (1966) two-factor theory of motivators and hygiene factors. This theory proposes that some factors in the workplace create job satisfaction while other factors create job dissatisfaction. The theory concludes that satisfiers and dissatisfiers are not on a continuum whereby the increase in one factor causes another factor to decrease. Rather, the theory, which proposes an asymmetric structure of causal effects, requires an understanding of all factors if desired results are to be achieved.

We identified similar signs of an asymmetric structure in the analysis of our data. We identified three building blocks, categorized as enablers, which create the basis of effective board work. Enablers are the board leadership
practices related to structures, processes and culture that support the development of a well-functioning board of directors. In addition, we identified a fourth building block, categorized as energizers, that directly contributes to innovation. Energizers include the board leadership practices that influence the cognitive dimensions of the board’s work. Figure 1 depicts the building blocks of the framework for innovation promotion by boards of directors, divided between enablers and energizers.

Figure 1. Building blocks for the development of innovation-promoting boards

Our analysis reveals, for a firm’s board to perform its tasks properly, well-functioning boardroom structures and processes as well as an appropriate boardroom culture must exist. However, to promote innovation board members must also actively and openly exchange knowledge and experience and engage in constructive cognitive work in the support of the firm’s development activities. The board chairperson’s most important responsibility is to show leadership by implementing the leadership practices associated with the four building blocks. See Figure 2.
Enablers: Board leadership practices that support well-functioning boards

Many board leadership practices support the development of well-functioning boards rather than promote innovation. Based on previous research on the boards of directors at small firms (e.g., Huse, 1998; Gabrielsson and Winlund, 2000), we associate these support practices with three of the framework’s building blocks: structures, processes and culture.

Structures

Structures refer to the board leadership practices that structure and organize the board’s work (Huse, 1988; Gabrielsson and Winlund, 2000). In the analysis we specifically identified board leadership that influence the presence and quality of meeting agendas, protocols and instructions and policies for the board’s work.
The findings emphasize the need to implement proper meeting agendas that bring up relevant development aspects at board meetings. This provides direction and focus to board meetings and provides a platform for constructive debate. The meeting agendas should include clear and pertinent instructions that provide direction and focus for the board’s activities. They should also include reports about key performance indicators that are in line with the current and future development of the firm. Chairperson Douglas stated:

I do not believe it is enough with quarterly economic reports. We need to set other parameters and include suitable key performance indicators. I think, for example, that one must be able to follow product renewal.

Chairperson Douglas also stated:

At the board meetings we had these questions [development projects] on our agenda quarterly, and we had a follow up on several projects running in parallel.

The findings also emphasize the importance of protocols. Law often regulates the presence of protocols from board meetings. However, when decisions are filed in protocols these decisions should be clearly formulated. The board chairperson has an important task in overseeing that board protocols clearly describe decisions in a permanent record for use in reviews of firm activities and assignment of responsibility. Chairperson Ephraim stated:

When a decision is filed in a protocol, it is the chairperson’s task to ensure that it is what the board agreed on and to follow up on its execution. Sometimes there may be a delay [in execution], but then a discussion by the board is required. The board’s decision should be respected and followed. It is what external chairpersons in this kind of company should do.

Furthermore, the findings suggest that the chairperson has an important task in coordinating instructions and policies that describe the topics for discussion in the meetings, the communications to the CEO and owners, and the follow-up plans for current and future projects. These instructions and policies should include information of how current projects and activities in the firm will be followed up. Often there are some instructions and policies in place but they need to be continuously reviewed and (if necessary) updated as the firm is developing. Chairperson Ephraim stated:

I just expect it [reporting instructions and information flow] to work well. However, it actually doesn’t work sometimes. And that is something that must be taken care of immediately.
Processes

Processes refer to the board leadership practices associated with the working processes in and around the boardroom (Huse, 1998; Gabrielsson and Winlund, 2000). In the analysis we specifically identified board leadership related to coaching (the CEO), summarizing board discussions, as well as following up the execution and implementation of board decisions.

The findings suggest that coaching the CEO is a very important part of the work of the chairperson in small entrepreneurial firms. The CEO must deal with both everyday activities and crisis events, by supporting the coordination of the firm’s operations and goals. The chairperson, who is removed from the daily activities, can provide a long-term and wider perspective on the firm’s strategic decisions. Chairperson Figaro stated:

For the chairperson, it is a question of pushing the CEO in the right direction by making him understand what must be done. As the firm is growing, with more and more employees, it is important that the CEO trusts the organization instead of demanding total control. The CEO must delegate responsibility to others.

In providing such coaching, the chairperson is most effective if he/she suggests options, rather than direct advice, for example by offering decision-making frameworks to the CEO. Chairperson Chandler stated:

I believe that it [helping the firm to innovate] requires a very specific process of educating the entrepreneur and getting him to dare create resources [for innovation]!

The findings also emphasize the chairperson’s role in summarizing the board’s discussions. The chairperson encourages all members to freely state their opinion before a decision is made. The chairperson then summarizes the board’s discussions so that all board members’ opinions and viewpoints are explicitly aired. Chairperson Burt stated:

…much [of a chairperson’s role] is about keeping the discussions open and on-going, following the meeting agendas, and making sure everyone on the board can express their opinions … It is the chairperson's role to reduce discussions to a summary and make a decision.

Furthermore, the chairperson has an important task in overseeing follow-ups on various activities to determine if decisions were implemented properly.
Follow-ups may include the use of such instruments as growth targets and key performance indicators aimed at measuring the achievement of strategic goals. Chairperson Chandler stated:

It is of utmost importance to have some relevant criteria for follow-ups. For example, we support product renewal by tracking sales statistics on newly developed products instead of total sales of some firms.

Culture
Culture refers to the board leadership practices associated with a system of shared board member assumptions, values and beliefs (Huse, 2005). In the analysis we specifically identified board leadership practices that influence and encourage integrity, generosity and cohesiveness in the boardroom.

The chairpersons emphasize the importance of creating a high level of integrity among all board members. Honesty and fairness at the board level sets the right tone from the top and establishes a culture for the entire firm. It is also something that promotes an open culture and allows board members to act according to the values, beliefs and principles they hold. Chairperson Chandler stated:

There are two very important things to look for in a board member – extensive experience [...] and great integrity.

The findings also emphasize the chairperson’s role in encouraging generosity in the boardroom. A board member exhibits a generous spirit in so far as he/she shares opinions and experience with other board members. This generosity is also evident in a willingness to listen to others. Chairperson Chandler stated:

He [a director on one of my boards] had an absolutely fantastic manner at the board meetings. He could listen [to others]. When he had stated his own ideas, he shared his perspective very generously with other directors. He was not afraid to lose face in the discussions or risk criticism. He just shares his ideas very generously.

Furthermore, the analysis emphasizes the need for the board chairperson to create cohesion among board members by stressing the spirit of teamwork. The board members ultimately need to act and speak as a unit, especially when facing tough or challenging situations. Chairperson Douglas stated:

If the owners demand some kind of renewal [in the firm], defined by their conditions, then you need someone taking the lead on the board. This requires both an understanding of what it means [to lead] and what will be re-
quired [of others] in working together in the boardroom as well as in relation to management.

Energizers: Board leadership practices that drive innovation

Board leadership practices that drive, rather than support, innovation are associated with the building block of cognition (see Rindova, 1999). These practices are critical to implement in small entrepreneurial firms as they directly relate to the promotion of innovation.

Cognition

The building block entitled cognition relate to the cognitive aspects of the boards work (Forbes and Milliken, 1999; Rindova, 1999). In the analysis we specifically identified board leadership practices that influence knowledge sharing and cognitive conflicts in the boardroom, and the active use of this input into strategy development.

The analysis identifies the chairperson’s task of facilitating knowledge sharing as an exclusive and critical contribution they offer when developing innovation-promoting boards. The chairperson shares his/her knowledge together with the other board members and with the CEO. This knowledge includes ideas, perspectives, evaluations, and so on, all of which are valuable in the discussion on strategic decision-making. Chairperson Chandler stated:

A board can have the world's top consultants as board members, but if they do not share their ideas, knowledge, experiences, networks and assessments, nothing will happen! This passivity deceives the board into believing that management's proposals are right for the firm. Sometimes, when management’s proposal are the best suggestions, then great! But there are rarely any ideas so well developed that you cannot tweak or change things a bit to make them better.

The chairperson, however, is comfortable with admitting when he/she lacks the knowledge to evaluate a particular issue. Chairperson Ephraim stated:

Take Company A. I was with them from the time when we grew from a turnover of ninety million [Swedish crowns] to about two hundred and six million. There was strong growth for more than three years. I had an early discussion with the owners about the situation in which there was a set of new problems that I really had no experience with. I explained that I have been with other companies that have had these problems, but I was not the chairperson. I told the company that they should look around for someone who
can complement my role. … When I left, we parted as friends, about six months after this discussion.

Another contribution made by board chairpersons in the effort to develop innovation-promoting boards was the deliberate creation of respectful cognitive conflicts among board members (see Forbes and Milliken, 1999). Such conflicts are useful in challenging taken-for-granted assumptions and so-called common wisdom. When the chairperson is outspoken and frank, other board members are encouraged to express their opinions. Chairperson Ephraim stated:

‘Why do you do that?’ Doing this [asking why] will raise many ideas. You should ask yourself: ‘Why do I do this?’ And, of course, as often is the case, the answer may be that it has always been done this way!

Chairperson Burt stated:

That's the problem [why the firm does not grow]. They [owner-managers] are happy and satisfied with what they have … maybe they want to develop new products, but these are always very much like those of competitors because they have no new ideas. Managers and owner entrepreneurs are not successful at finding new patterns. They do not know how or where to look for renewal for their firms.

Furthermore, the findings suggest that board chairpersons who aim to promote innovation has an important task in assimilating and channelling the new insights and perspectives into the strategic decision making process. The chairperson guides the firm’s strategic development by engaging board members in framing and defining problems (e.g., Lindenberg, 2003; Rindova, 1999). This practice requires that the chairperson establish a trusting work relationship with the CEO as they set firm strategy. Without such cooperation, the board’s knowledge, skills and expertise are left unused with little impact on strategic outcomes (Forbes and Milliken, 1999). Chairperson Figaro stated:

Basically, it is about guiding the CEO in his work, so that some parts are cut off while other parts are expanding. This process must be fully integrated in the strategy [of the firm] and continually followed up.
Conclusion and implications

The chapter proposes a tentative conceptual framework for how board chairpersons may develop innovation-promoting boards in small entrepreneurial firms. Our interest in this topic stems from our observations that the chairperson, by his/her leadership practices, can play a key role at small firms (Gabrielsson et al., 2007b; Machold et al., 2011). Previous research has largely treated the board of directors as a black box (Gabrielsson and Huse, 2004a, Huse and Gabrielsson, 2012). The implication is that the board of directors is isolated from the firm. Our purpose in this chapter, using data from qualitative interviews with board chairpersons in small entrepreneurial firms, is to open up that black box and show how the board chairperson’s leadership practices may influence the direction and performance of such firms.

The findings reported in the chapter provide empirical and theoretical insights into how chairpersons may develop the organizational capacity to support and nurture innovations in entrepreneurial firms by developing the work of the board of directors. Our framework consists of four building blocks: Structures, Processes, Culture and Cognition, see Table 2.

Table 2. The building blocks and their board leadership practices

<table>
<thead>
<tr>
<th>Building blocks</th>
<th>Board leadership practices</th>
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<tbody>
<tr>
<td>Structures</td>
<td>Meeting agendas Protocolis Instructions and policies</td>
</tr>
<tr>
<td>Processes</td>
<td>Coaching Follow-ups Summarizing</td>
</tr>
<tr>
<td>Culture</td>
<td>Integrity Generosity Cohesiveness</td>
</tr>
<tr>
<td>Cognition</td>
<td>Knowledge sharing Cognitive conflict Strategy development</td>
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Enablers refer to the first three building blocks; Energizers refer to the fourth building block. Each building block has a set of board leadership practices that board chairpersons can use to support innovation-promoting boards.
We acknowledge our analysis is based on contemporary interviews with six board chairpersons of firms located in Sweden. Given this research setting, we recognize the potential limitations for broader generalizations of the findings across temporal and spatial contexts. We thus welcome further studies on this topic that can support or develop our conceptual framework.

However, despite this limitation, we think our conceptual framework can be useful for chairpersons in small entrepreneurial firms. The framework identifies and describes the board leadership practices that experienced board chairpersons recommend for promoting innovation at such firms. The board chairperson may assist such development by organizing, overseeing, and encouraging the activities of the entire board in a collective endeavour.

This chapter also offers insights into processes of board development in small entrepreneurial firms. Different boards may organize their work in different ways. We find that board leadership practices aimed at developing well-functioning boards are not fundamentally different from board leadership practices aimed at developing innovation-promoting boards. The work of the innovation-promoting board can in this respect be conceptualized as an extension and continuation of ordinary (effective) board work.

Our findings suggest that the relationship between various board leadership practices and the development of innovation-promoting boards in small entrepreneurial firms is, to a large extent, embedded in complex systemic processes. In this respect we find that some factors (enablers) create building blocks for well-functioning boards while other factors (energizers) create building blocks for innovation-promoting boards. Both sets of factors are thus necessary, but not sufficient, building blocks for innovation-promoting boards. While some research assumes independence between predictors and asymmetry in causal connections (see Fiss, 2011), these assumptions may be too restrictive when researching the dynamics of board behaviour in small entrepreneurial firms (see Huse, 1998). The potential interdependencies observed in our data may call for alternative approaches in future empirical studies. One such approach is a configurational examination of causal relationships (e.g. Flynn and Chan, 1992; Judge et al., 2015; see also Fiss, 2011). We think alternative approaches may advance our understanding of how chairpersons promote innovation in small entrepreneurial firms.
References


Chairpersonship and board strategy involvement in SMEs

Daniel Yar Hamidi and Jonas Gabrielsson

Abstract

A critical issue when setting up a board of directors in small and medium-sized enterprises (SMEs) relates to the position of chairperson. In this study we contribute to scholarly literature and research on actual board behaviour in SMEs by examining whether and how an SME chairperson’s experience and leadership efficacy influence the extent to which the board of directors is involved in setting the strategic direction of the organization. We rely on questionnaire data collected from multiple respondents in 326 Norwegian SMEs and use regression analysis to test our hypotheses. Overall, we find that chairpersons’ board experience and leadership efficacy have a positive and significant effect on the extent to which boards of directors are involved in strategy in SMEs. To this end, our findings provide ample support for the significance of chairperson behaviours in explaining and understanding board outcomes in SMEs.

Introduction

The board of directors is a rarely used resource in small and medium-sized enterprises (SMEs). Extant research suggests that SMEs may benefit when it comes to a range of strategic issues and outcomes, such as building trust and extending the firms’ strategic networks (Borch and Huse, 1993), discovering and exploiting new market opportunities (Borch et al., 1999, Gabrielsson et al., 2007) and building and facilitating organizational processes that support innovation, business renewal and strategic change (Zahra et al., 2000, Brunninge et al., 2007). In this respect, there seems to be general consensus in the scholarly literature that an empowered board of direc-
tors can be both a catalyst and a working partner for the managing director in setting the strategic direction of an SME (Fiegener, 2005, Knockaert et al., 2015), thereby contributing to the long-term development and performance of the organization.

A critical issue when setting up a board of directors in SMEs relates to the position of chairperson (Daily et al., 2002, Machold et al., 2011). The chairperson is responsible for structuring and giving direction and scope to board meetings (Furr and Furr, 2005). The chairperson is also responsible for overseeing board processes as well as encouraging participation and debate to ensure that the overall direction and governance of the enterprise is in line with strategic goals and company bylaws (Parker, 1990, Cadbury, 2002, Kakabadse and Kakabadse, 2007). However, SMEs are typically characterized by close relationships between owners and managers; family ties or close friendship often connects board members and other influential stakeholders (Huse and Zattoni, 2008, Gabrielsson, 2007b). Moreover, while the board chairperson assumes additional responsibilities, he or she has no direct authority over other board members and must thus rely on personal experience and leadership behaviours to encourage commitment and promote a team orientation among board members (Gabrielsson et al., 2007). Hence, while the chairperson has a great deal of power over board meetings, it is his or her experientially acquired ability to provide effective leadership that is critical in order to bring out and unleash the board’s full value-creating potential (Machold et al., 2011, Huse and Gabrielsson, 2012, Leblanc, 2005).

Against this backdrop, this study seeks to study how chairpersons’ leadership and qualifications influence boards’ strategy involvement in SMEs. We are thus interested in examining whether and how, in an SME, the experience and leadership efficacy of the chairperson influence the extent to which the board of directors is involved in setting the strategic direction of the organization. While such scholarly knowledge can be of great relevance for a range of stakeholders in and around SMEs, including owner-managers, investors and lenders, the literature has been relatively silent on the issue. Rather, the bulk of studies have studied structural leadership conditions, most particularly the causes and consequences of combined CEO/chairperson leadership (Daily and Dalton, 1993, Fiegener et al., 2000, Gabrielsson, 2007b, Yar Hamidi and Gabrielsson, 2014). Agency theorists who have addressed this issue generally advocate for a separation of CEO and chairperson leadership, so that the board can be opened up for independent oversight (Daily and Dalton, 1993), but they also argue that there may be little place for independent board structures in SMEs, where ownership and management often coincide (Gabrielsson, 2007b). Resource de-
pendence theorists, on the other hand, emphasize that SMEs may provide a context that particularly calls for a separation of CEO and chairperson positions, because this structural arrangement can offer both owners and CEOs valuable inputs in terms of legitimacy, expertise and access to networks for developing their firms’ long-term strategy (Gabrielsson, 2007b, Gabrielson and Huse, 2005). On the whole, however, research provides mixed evidence on the relationship between structural leadership characteristics and various board- and firm-level outcomes (Yar Hamidi and Gabrielsson, 2014).

While we acknowledge the contribution of past scholarly work, we seek in this study to expand the traditional understanding of chairperson leadership in SMEs as being primarily about the structural arrangements of the CEO and chairperson positions (Daily and Dalton, 1993). Instead, we relate our theory and logic to a growing body of research that emphasizes behavioural processes and relational dynamics for understanding corporate governance and boards of directors (Huse, 2005b, van Ees et al., 2009). To this end, we posit that the board chairperson’s background and behaviours has a strong and non-trivial impact on board- and firm-level outcomes in SMEs (Gabrielsson et al., 2007, Machold et al., 2011).

The rest of the paper proceeds as follows. In the next section, we build our theoretical framework and present our hypotheses in relation to how the chairperson’s experience and leadership efficacy can be expected to influence boards’ strategy involvement in small firms. Thereafter, we present the method section, with information about our sample and variables. Following this is a presentation of our analysis and empirical findings. The paper concludes with a discussion of the implications of our findings for theory and practice.

Theoretical background

It is widely recognized that small and medium-sized enterprises (SMEs) play an important role in developed economies by contributing to innovation and the creation of new jobs. According to a report by the Association of Chartered Certified Accountants (ACCA), SMEs make up the vast majority (85 to 99.9 per cent) of the business population. They also account for just under 50 per cent of private sector value added and 77 per cent of private-sector employment (ACCA, 2010). Moreover, SMEs play a significant role in industrial renewal due to their ability to channel new combinations of knowledge and resources into new market offerings (Acs and Audretsch, 1993), as well as by developing new market niches for existing products and services (Timmons, 1998).
A key characteristic of small firms is their inherent constraints with respect to resources and capabilities. After all, operational definitions of SMEs imply that they employ fewer people, possess fewer assets and operate in fewer markets (Mazzarol and Reboud, 2009). This defining characteristic is often referred to as creating size disadvantages (i.e. “liabilities of smallness”), which are reflected in difficulties in securing financial capital and staff (Winborg and Landstrom, 2001), inabilities to capture economies of scale and gain bargaining power with key stakeholders (Strotmann, 2007), vulnerability to environmental changes (Blake and Saleh, 1992) and problems in accessing the complementary assets needed to commercialize innovations (Teece and Freeman, 1990, Gans and Stern, 2003). Overall, these difficulties imply that SMEs must think and act strategically to turn their limited resources and capabilities into competitive market offerings that will satisfy the needs of major stakeholders, particularly customers and owners.

Research evidence suggests that strategic planning in SMEs is positively associated with enhanced firm performance, both when it comes to the plan itself and in the process of developing the plan (Brinckmann et al., 2010). However, strategic planning is often described as a largely implicit, informal and intuitive process in SMEs (e.g. Mintzberg, 1989), with its form and content heavily dependent on the characteristics, experience and personal goals of the managing director (Richbell et al., 2006, Mazzarol and Reboud, 2009). Managing directors are moreover typically distracted by operational work while having little time for strategy (Tell and Gabrielsson, 2013, Mazzarol and Reboud, 2009).

Empirical research suggests that SMEs may benefit from an empowered board of directors that can actively engage in evaluating, implementing and controlling strategy decisions in a systematic and analytical manner (Knockaert et al., 2015, Fiegener, 2005, Gabrielsson and Politis, 2007). Board empowerment is often initiated by recruiting an external board member who also takes the position of the board chairperson (Gabrielsson, 2007b, Huse and Zattoni, 2008). The chairpersons are in this respect instrumental in developing the boards of directors in SMEs by influencing other board members’ general level of engagement and effectiveness (Huse, 1998), including their contribution to setting the strategic direction of the organization (Gabrielsson et al., 2007, Machold et al., 2011).
Hypothesis development

The role of the chairperson is critical for influencing a board’s overall engagement and involvement in strategy (Roberts et al., 2005, Leblanc, 2005). SMEs, however, provide a context where owners are closely involved in the business (Forbes and Milliken, 1999) and where board members are often linked by family or friendship ties (Fiegener, 2005, Brunninge et al., 2007). In this context, we expect that board chairpersons must rely on their personal experience and leadership qualities to unlock the full potential of board members in contributing to strategy. Our theory and logic is embedded in the behavioural approach to boards and governance (e.g. Huse, 2005; Gabrielsson, 2007; van Ees, Gabrielsson and Huse, 2009), which contends that it is the behaviour of boards and their members that is likely to be most significant in explaining board- and firm-level outcomes, whatever structural arrangements are put in place. In the following section, we will motivate these theoretical expectations and present our hypotheses.

Chairperson leadership efficacy

A key tenet in the behavioural approach to boards and governance is the power and capacity of strategic leaders to manage and orchestrate other key actors in and around the boardroom to produce desired results (van Ees et al., 2009). This stems from the observation that strategic decision-making is to a large extent a political process (Huse, 1998) that involves different coalitions of actors with a stake in the organization (Huse and Rindova, 2001). As such, the board chairperson needs to be skilled in mediating between various coalitions of internal and external actors to ensure that organizational effort is directed towards achieving the overall goals set by the dominant coalition (van Ees et al., 2009). Such leadership not only addresses the structural aspects of the boards work, but also includes process issues such as building healthy boardroom dynamics (Sonnenfeld, 2002) and marshaling resources and expertise inside and outside the boardroom (Huse, 1998), as well as ensuring that the boundaries between board and management responsibilities are clearly understood and respected (Leblanc, 2009). Thus, the chairpersons’ leadership efficacy can be seen as instrumental in increasing boards’ strategy involvement in SMEs. Following this theoretical logic we formulate our first hypothesis as follows:

H1: There is a positive association between chairpersons’ leadership efficacy and board strategy involvement in SMEs.
Chairperson knowledge and experience

Another key tenet in the behavioural approach to boards and governance is the important role attributed to tacit experiential knowledge resulting from personal experience (van Ees et al., 2009). Personal experience, in contrast to reading about things or listening to others, is often seen as critical for individual learning and self-development since this stimulates inquiry, knowledge creation and skill formation (e.g. Kayes, 2002; Hoover et al., 2010). However, the behavioural approach emphasizes in particular the experientially acquired routines that are built up over time, which enable decision makers to direct their attention to selected aspects of identified problem situations (Cyert and Marsh, 1963). These experientially acquired routines also enable decision makers to develop a repertoire of “successful” solutions that can be stored in memory and reproduced in later situations (van Ees et al., 2009; see also Cohen, March and Olsen, 1972). Thus, the past experience of chairpersons can be seen as a key mechanism in a theoretical model aimed at understanding boards’ overall level of engagement, including their involvement in strategy. Following this theoretical logic, we identify and propose three types of chairperson experience that can be linked to board strategy involvement in SMEs: board experience, industry experience and firm-specific experience.

First, we expect that the chairperson’s accumulated board experience will be associated with increased levels of board strategy involvement in SMEs. Experience from earlier board work may provide chairpersons with experiential insights into both vicious and virtuous board dynamics (Huse et al., 2005a), as well as practical training in fostering a culture of constructive debate among board members (Demb and Neubauer, 1992, Forbes and Milliken, 1999). As such, more-extensive board experience could raise the productivity of chairpersons through increases in their cognitive abilities (Rindova, 1999), thereby allowing them to achieve more desirable outcomes in their undertakings. To this end, we formulate our second hypothesis as follows:

H2: There is a positive association between chairpersons’ board experience and board strategy involvement in SMEs.

Second, we expect that the accumulated industry experience of the chairperson is associated with increased levels of board involvement in strategy. Industry experience is often seen as a prerequisite to be able to contribute to strategy development in boards (Lorsch, 1995) and may in this respect provide chairpersons with a greater understanding of strategic issues, such as the nature of the competitive environment and the key drivers of strategic
change that could provide opportunities or give rise to threats. Industry experience also provides strategic networks that may channel timely information into the strategic decision-making process (Wan and Ong, 2005) (see also Pfeffer and Salancik, 1978). Industry experience can in addition serve as a valuable source of legitimacy for the chairperson in his or her position (Pick, 2007) and thereby be instrumental when initiating debates about strategy in the boardroom. In sum, based on these arguments, we formulate our third hypothesis as follows:

H3: There is a positive association between chairpersons’ industry experience and board strategy involvement in SMEs.

Third, we expect the accumulated firm-specific knowledge of the chairperson to be associated with increased levels of board strategy involvement in SMEs. Experientially acquired knowledge about firm specificities is often seen as a key input in strategy discussions and a main source of competitive advantage (Barney, 1991). Such firm-specific knowledge increases the understanding of the kind of strategic resources the firm has and in what ways these resources provide an advantage over competitors (Gabrielsson and Winlund, 2000, Forbes and Milliken, 1999), and is thus a valuable cognitive input to strategy making (Rindova, 1999). Thus, the accumulated firm-specific experience of the chairperson can be expected to be a critical component for the board’s ability to shape and influence strategy, as it enables board members to more actively discuss and deal with the complexity and uncertainty associated with strategic decisions (Farjoun, 1994, Lorsch, 2009b). Following this logic, our fourth hypothesis can be formulated as follows:

H4: There is a positive association between chairpersons’ firm-specific knowledge and board strategy involvement in SMEs.

Data and Methods

Sample and data collection
Our hypotheses are tested through a quantitative analysis on data collected from the Norwegian value creating board surveys conducted in Norway during 2005–2006 (Huse, 2009). The choice of survey method is motivated by the lack of process data on behavioural aspects of boards of directors (Forbes and Milliken, 1999, Huse, 2005b) and a desire to avoid secondary data as a proxy for board processes (Finkelstein and Mooney, 2003). In their review of corporate governance research, Daily, Dalton and Canella (2003) discuss the access to process data as one of the major empirical challenges
for researchers on boards of directors and corporate governance (Daily et al., 2003).

The data set used in this study is unique in its focus on validated scales related to behavioural aspects of actual board work developed by corporate governance scholars in several countries over many years (Huse, 2007, Huse, 2009, Gabrielsson et al., 2007, Minichilli and Hansen, 2007, Zona and Zattoni, 2007, Pugliese and Wenstop, 2007, van Ees et al., 2008). The questions used in the surveys are short and specific, using simple words to avoid ambiguous formulations (Dillman, 2011). The survey was sent out to multiple respondents in each firm and the results used in this study include responses from managing directors, chairpersons and other board members. The survey also targeted respondents in specific subsets of firms to enable control of contingencies such as firm size and industry. A full review and discussion of the background and development of the Norwegian value creating board survey can be found in (Huse, 2009).

The initial sample frame for this study consists of Norwegian private firms with fewer than 250 employees, which follows the European Community’s definition of SMEs. This resulted in an initial sample of 520 firms/cases. However, our research interest in chairperson leadership also requires sample firms to have a board of at least two directors. Thus, we excluded SMEs with only one official board member, so called “paper boards” (Gabrielsson and Winlund, 2000). Finally, we went through the data carefully and excluded cases with missing or incomplete data in one or more of the variables of interest in this study. This screening resulted in a final sample of 326 cases with complete and accurate data that could be used in our statistical analysis. This figure corresponds to 63 per cent of the initial sample of SMEs included in the dataset.

The Norwegian corporate governance system has both similarities to and differences from other countries and contexts (Shleifer and Vishny, 1997). The state in Norway has had a greater influence and ownership in business affairs than Anglo-American countries (Machold et al., 2011) and this is manifested in both legislation and the large ownership of the state in publicly held corporations in Norway today. However, there are also similarities. The Norwegian code of practice for corporate governance shows many similarities to other international codes regarding board structures and the division of responsibilities among boards, shareholders and management (NUES, 2014). Further, boards of small and medium-sized firms are traditionally active boards (Huse, 1990) and therefore of special interest to our research.
Variables and measures

Board strategy involvement. Our dependent variable was based on a multi-item Likert-type scale developed and used to measure boards’ strategy involvement in previous studies (Torchia et al., 2011, Machold et al., 2011, Minichillli et al., 2009). In line with Gabrielsson (2007), we considered the CEO as the best informant regarding strategic issues in SMEs. The CEOs were thus asked in the survey to assess the extent to which they agreed (7 = strongly agree; 1 = strongly disagree) to statements regarding the involvement of the board in (a) actively initiating strategy proposals; (b) making decisions on long term strategies and main goals; (c) implementing strategy decisions; and (d) controlling and evaluating strategy decisions. A higher score on this scale indicates a higher involvement of the board of directors in strategy. Cronbach’s alpha for this construct is .93.

Independent variables

Our theoretical framework involves four independent variables related to the leadership efficacy (Hypothesis 1), board experience (Hypothesis 2), industry experience (Hypothesis 3) and firm-specific experience (Hypothesis 4) of the chairperson of the board of directors.

Chairperson leadership efficacy was measured with a multi-item Likert-type scale based on the theoretical and empirical work of Gabrielsson et al. (2007). Following this source, the variable was measured by asking board members to what extent they agreed (7 = strongly agree; 1 = strongly disagree) that their chairperson is excellent on aspects such as (a) motivating and using each board member’s competence; (b) formulating proposals for decisions and summarizing conclusions at board meetings; (c) leading board discussions; (d) working well with the CEO; (e) working constantly to develop the board’s working processes; (f) demonstrating open and trustworthy leadership; and (g) always being very well prepared for board meetings. Cronbach’s alpha for this variable is .86.

Chairpersons’ board experience, industry experience and firm-specific experience were each gauged by single-item measures based on responses from CEOs, where they were asked to assess on a Likert-type scale to what extent they agreed (7 = strongly agree; 1 = strongly disagree) that their board chairperson had extensive board experience from other companies, extensive relevant industry experience with regard to the company’s operations and extensive knowledge of the firm (main operations, key competence, products etc.). A higher score on each measure indicates greater experience.
Control variables

Following previous research, we included two sets of control variables in our research model. The first set of variables aimed to control for industry and firm characteristics that could potentially influence boards’ involvement in strategy (Golden and Zajac, 2001, Haynes and Hillman, 2010, Judge Jr and Zeithaml, 1992, Machold et al., 2011). Firm industry belongingness was gauged by a nominal dichotomous variable identifying the company's main industry as either production industry (= 1) or other (= 0). We also included a dichotomous variable indicating whether the firm was a high-technology firm (no = 0; yes = 1), since board involvement in strategy is particularly manifested in these firms (Carpenter et al., 2003). Moreover, we controlled for firm size and firm age, measured as the number of employees and the number of years the firm had existed. Both of these variables were transformed using a logarithmic transformation to adjust for the skewed distribution in the data. Finally, we also included a dichotomous variable indicating whether the CEO considered the firm to be a family firm (no = 0; yes = 1), since strategic involvement could be different in family firms (Brunninge et al., 2007, Brunninge and Nordqvist, 2004).

The second set of variables aimed to control for board characteristics that are frequently used in board research, which are often referred to as the “usual suspects” (Finkelstein and Mooney, 2003), as they are expected to influence various board- or firm-level outcomes. Board size was measured as the total number of board members. This variable was transformed using logarithmic transformation to adjust for the skewed distribution in the data. We measured outsider ratio as the percentage of outsider (non-executive) directors in the total number of board members (Mallette and Fowler, 1992). Shareholder ratio was measured by dividing the number of directors holding shares in the firm by the total number of directors on the board. CEO-duality was measured as a dichotomous variable, coded 1 if the CEO were also the chairperson of the board and 0 otherwise. Chair tenure was measured with a continuous variable indicating how many years the chairperson had been working in this position.

Analysis and results

We had a metric measure as the dependent variable and several metric and binary independent variables in our research model, since we chose to apply a linear multiple regression analysis to test our hypotheses. The linear regression analyses for our three models were conducted in steps, so as to capture the contribution of each set of variables to the model significance. Additionally, the F-changes for all three models are significant for all of the changes displayed in the table. Table 1 shows descriptive data, including
mean, minimum, maximum and standard deviation, for all of the variables used in the analysis.

Table 1: Descriptive statistics for relevant variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hi-tech firm</td>
<td>468</td>
<td>0.00</td>
<td>1.00</td>
<td>0.31</td>
<td>0.46</td>
</tr>
<tr>
<td>Firm size (Ln employees)</td>
<td>508</td>
<td>0.00</td>
<td>5.48</td>
<td>3.78</td>
<td>1.14</td>
</tr>
<tr>
<td>Firm age</td>
<td>512</td>
<td>0.00</td>
<td>181.00</td>
<td>42.71</td>
<td>40.73</td>
</tr>
<tr>
<td>Family firm</td>
<td>509</td>
<td>0.00</td>
<td>1.00</td>
<td>0.28</td>
<td>0.45</td>
</tr>
<tr>
<td>Firm industry</td>
<td>515</td>
<td>0.00</td>
<td>1.00</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Number of board members (Ln)</td>
<td>507</td>
<td>.69</td>
<td>2.30</td>
<td>1.66</td>
<td>0.30</td>
</tr>
<tr>
<td>Outsider ratio</td>
<td>487</td>
<td>0.00</td>
<td>1.00</td>
<td>0.78</td>
<td>0.31</td>
</tr>
<tr>
<td>Shareholder ratio</td>
<td>467</td>
<td>0.00</td>
<td>1.00</td>
<td>0.32</td>
<td>0.34</td>
</tr>
<tr>
<td>CEO-duality</td>
<td>490</td>
<td>0.00</td>
<td>1.00</td>
<td>0.08</td>
<td>0.28</td>
</tr>
<tr>
<td>Chair tenure</td>
<td>446</td>
<td>0.00</td>
<td>40.00</td>
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<td>5.71</td>
</tr>
<tr>
<td>Chairperson leadership</td>
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<td>7.00</td>
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<td>1.04</td>
</tr>
<tr>
<td>Chairperson board experience</td>
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<td>1.00</td>
<td>7.00</td>
<td>5.23</td>
<td>1.79</td>
</tr>
<tr>
<td>Chairperson industry experience</td>
<td>505</td>
<td>1.00</td>
<td>7.00</td>
<td>5.32</td>
<td>1.57</td>
</tr>
<tr>
<td>Chairperson firm specific knowledge</td>
<td>506</td>
<td>1.00</td>
<td>7.00</td>
<td>5.94</td>
<td>1.12</td>
</tr>
<tr>
<td>Strategy involvement</td>
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<td>1.00</td>
<td>7.00</td>
<td>5.03</td>
<td>1.48</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>326</td>
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</tr>
</tbody>
</table>

Before running our analysis we examined potential problems in the distribution of our variables by conducting residual analysis to verify the assumptions of the hierarchical regression analysis. No results were found that indicated a need for a change in our main conclusions. In our hypothesis testing, we combined the interpretation of F-change results in the linear regression with the beta coefficients in the models, and correlation coefficients. Correlations for all variables are presented in Table 2.
Table 2: Correlation analysis

<table>
<thead>
<tr>
<th></th>
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<th>2</th>
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<th>5</th>
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<th>9</th>
<th>10</th>
<th>11</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Firm size (Ln employees)</td>
<td>.186”</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<td>3 Firm age</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Family firm</td>
<td>-.130”</td>
<td>.015</td>
<td>.172”</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Firm industry</td>
<td>.105”</td>
<td>.190”</td>
<td>.064</td>
<td>.037</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Number of board members (Ln)</td>
<td>.098</td>
<td>.354”</td>
<td>.181”</td>
<td>-.208”</td>
<td>-.052</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Outsider ratio</td>
<td>.189”</td>
<td>.187”</td>
<td>.073</td>
<td>-.225”</td>
<td>.006</td>
<td>.383”</td>
<td>1</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Shareholder ratio</td>
<td>-.004</td>
<td>-.263”</td>
<td>.004</td>
<td>.214”</td>
<td>-.019</td>
<td>-.223”</td>
<td>-.360”</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 CEO-duality</td>
<td>-.088</td>
<td>-.106”</td>
<td>.024</td>
<td>.190”</td>
<td>-.002</td>
<td>-.199”</td>
<td>-.303”</td>
<td>.222”</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>10 Chair tenure</td>
<td>-.200”</td>
<td>-.089</td>
<td>.034</td>
<td>.309”</td>
<td>.014</td>
<td>-.182”</td>
<td>-.286”</td>
<td>.271”</td>
<td>.272”</td>
<td>1</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>11 Chairperson leadership</td>
<td>.024</td>
<td>-.008</td>
<td>.034</td>
<td>-.004</td>
<td>-.024</td>
<td>-.021</td>
<td>.072</td>
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<td>.032</td>
<td>.028</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Chairperson board experience</td>
<td>.101”</td>
<td>.051</td>
<td>.001</td>
<td>.009</td>
<td>.076</td>
<td>.040</td>
<td>.270”</td>
<td>-.130”</td>
<td>-.134”</td>
<td>-.083</td>
<td>.151”</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 Chairperson industry experience</td>
<td>-.046</td>
<td>-.025</td>
<td>-.106”</td>
<td>.076</td>
<td>.146”</td>
<td>-.172”</td>
<td>-.102”</td>
<td>-.049</td>
<td>.154”</td>
<td>.051</td>
<td>.094”</td>
<td>.226”</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Chairperson firm specific knowledge</td>
<td>-.056</td>
<td>-.074</td>
<td>-.047</td>
<td>.041</td>
<td>.047</td>
<td>-.233”</td>
<td>-.120”</td>
<td>-.029</td>
<td>.199”</td>
<td>.095”</td>
<td>.076</td>
<td>-.185”</td>
<td>.635”</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>15 Strategy involvement</td>
<td>.219”</td>
<td>.094”</td>
<td>-.030</td>
<td>.011</td>
<td>.036</td>
<td>.070</td>
<td>.264”</td>
<td>-.064</td>
<td>.059</td>
<td>-.087</td>
<td>.132”</td>
<td>.152”</td>
<td>.075</td>
<td>.102”</td>
<td>1</td>
</tr>
</tbody>
</table>
There are generally low levels ($r < .70$) of correlation (Nunnally, 1978) among the predictors we used in our analysis and the dependent variable. Based on this preliminary analysis, we conducted variance inflation factor analysis (VIF) after each regression to check for multicollinearity. VIF values ranged from 1.1 to 1.5, thus clearly indicating that multicollinearity is not a problem in our study (Kutner, 2005, Neter et al., 1990).

**Table 3: Regression analysis for strategy involvement**

<table>
<thead>
<tr>
<th></th>
<th>Model I</th>
<th>Model II</th>
<th>Model III</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry and firm characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hi-tech firm</td>
<td>0.64***</td>
<td>0.51***</td>
<td>0.46***</td>
</tr>
<tr>
<td>Firm size (Ln employees)</td>
<td>0.09</td>
<td>0.10</td>
<td>0.11</td>
</tr>
<tr>
<td>Firm age</td>
<td>0.00</td>
<td>0.00</td>
<td>-0.01**</td>
</tr>
<tr>
<td>Family firm</td>
<td>0.13</td>
<td>0.26</td>
<td>0.36†</td>
</tr>
<tr>
<td>Firm industry</td>
<td>0.06</td>
<td>0.10</td>
<td>0.14</td>
</tr>
<tr>
<td><strong>Board characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of board members (Ln)</td>
<td>-0.22</td>
<td></td>
<td>0.06</td>
</tr>
<tr>
<td>Outsider ratio</td>
<td>1.09***</td>
<td></td>
<td>0.92***</td>
</tr>
<tr>
<td>Shareholder ratio</td>
<td>0.28</td>
<td></td>
<td>0.26</td>
</tr>
<tr>
<td>CEO-duality</td>
<td>0.68</td>
<td></td>
<td>0.72*</td>
</tr>
<tr>
<td>Chair tenure</td>
<td>-0.02</td>
<td></td>
<td>-0.02</td>
</tr>
<tr>
<td><strong>Chairperson characteristics</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H1 Chairperson leadership</td>
<td></td>
<td></td>
<td>0.14†</td>
</tr>
<tr>
<td>H2 Chairperson board experience</td>
<td></td>
<td></td>
<td>0.14**</td>
</tr>
<tr>
<td>H3 Chairperson industry experience</td>
<td></td>
<td></td>
<td>-0.11†</td>
</tr>
<tr>
<td>H4 Chairperson firm specific knowledge</td>
<td></td>
<td></td>
<td>0.22*</td>
</tr>
</tbody>
</table>

| R                               | .249    | .334     | .416      |
| Adjusted R2                     | .047    | .083     | .136      |
| F (sign) Full model             | 4.243***| 3.995*** | 4.669***  |
| F change                        | 4.243***| 3.502**  | 5.846***  |
| N                               | 326     | 326      | 326       |

† = .10-level; *= .05-level; **= .01-level; ***= .001-level.

The regression analyses are shown in Table 3. Model I includes our first set of control variables, which related to industry and firm characteristics.
Model II includes our control for board characteristics. In model I, as expected, the coefficients are weak and, aside from industry effects (hi-tech firm, \( p < .001 \)), there are no signs of significance. Model II shows continuous significant coefficient regarding industry characteristic (hi-tech firm, \( p < .01 \)), in addition to board characteristic (outsider ratio, \( p < .01 \)).

Model III includes the chairperson variables and tests hypotheses 1–4. Our first hypothesis (H1) is supported in the analysis (\( p < .10 \)), indicating that there is a moderate positive association between chairperson leadership efficacy and board strategy involvement in SMEs. Our second hypothesis (H2) is supported (\( p < .01 \)) and indicates that there is a strong positive association between chairperson board experience and board strategy involvement in SMEs. However, our third hypothesis (H3) is not supported by our analysis as the regression analysis in our model indicates a moderate reverse relation (\( p < .10 \)) between chairperson industry experience and board strategy involvement. The last hypothesis (H4) is also supported by the analysis and indicates that chairperson firm-specific knowledge is positively associated (\( p < .05 \)) with board strategy involvement in SMEs.

**Discussion and implications**

In this study, we aim to contribute to scholarly research and literature on actual board behaviour in SMEs (Huse, 2000) by examining whether and how the experience and leadership efficacy of the chairperson influence the extent to which the board of directors are involved in setting the strategic direction of the firm. We tested our hypotheses on data collected from multiple respondents in 326 Norwegian SMEs. The variables are based on validated scales related to behavioural aspects of actual board work (Huse, 2009). Overall, our findings provide ample support for the significance of chairperson behaviours in explaining and understanding board outcomes in SMEs. We find support for three of our four conjectures: chairpersons’ leadership efficacy (H1), board experience (H2) and firm-specific experience (H4) all have a positive effect on the extent to which the boards of directors are involved in strategy in SMEs. Interestingly, and in contrast to our theoretical expectations, we find that chairpersons’ industry experience has a reverse relation with board strategic involvement. We will elaborate on the theoretical and practical implications of our findings below.

Going beyond the traditional approach of studying structural arrangements surrounding corporate governance and boards of directors (Daily et al., 2003), our findings contribute to theory on boards of directors by emphasizing behavioural processes and relational dynamics for understanding
and explaining board- and firm-level outcomes (Huse, 2005b, van Ees et al., 2009). Past studies on corporate governance and boards of directors conducted within the behavioural approach have to a large extent addressed issues related to the boards’ task performance (e.g. Gabrielsson and Windlund, 2000; Gabrielsson, 2007b; Minichilli, Zattoni and Zona, 2009), while largely neglecting how the character and personal behavioural style of individual board members can impact board- and firm-level outcomes (Huse, 2005). In this respect, our study advances current conceptualizations within the behavioural approach to boards and governance as we theorize about how chairperson behaviours might explain variations in board strategy involvement. In line with our theorizing, the findings provide ample support for the proposition that chairpersons’ experience and leadership behaviours have a significant, non-trivial impact on the extent to which boards are involved in the strategic arena.

We acknowledge that the study is embedded in a number of potential limitations. A major limitation is the questionnaire survey data, which provided us with data from a large number of multiple respondents but which also put constraints on, for example, the measurements used in the study. We have in this respect relied on subjective assessments of the experience of chairpersons by CEO. In this respect, we recommend that future studies should correlate these subjective measures with objective human capital proxies based on the number of years of experience in each experience category (e.g. Gabrielsson and Politis, 2012). Moreover, we acknowledge that our analysis is based on responses from CEOs and board members operating in Norway. Previous research has suggested that board structures are largely decoupled from actual board behaviour in privately held SMEs (Voordeckers et al., 2014), which suggests that it is possible to disseminate board development research across countries. However, this finding is not undisputed and generalizations across context should thus be made with caution. In this respect, we welcome further empirical studies that can corroborate and extend our theorizing in different national settings.

Despite these potential limitations, we believe that our study provides theoretical insights that can inform board development practices in SMEs. The board of directors is often emphasized as a largely untapped resource in SMEs, which can be both a catalyst and a working partner for the managing director in setting the strategic direction of an SME. However, SMEs often suffer from weak boards, with little or no influence over the strategic direction and performance of the firm (Fiegener, 2005). To this end, our findings suggest that appointing an external board chairperson can be instrumental in developing the board of directors in SMEs, especially with regard to its role in shaping firm strategy. Furthermore, our findings identify personal quali-
fications related to the experience and leadership behaviours of chairpersons, which can be used as an input in the recruitment process when firms and their stakeholders seek to increase boards’ overall involvement in the strategic arena.

References


Chairperson leadership and entrepreneurial strategic posture in SMEs: a conceptual framework and research model

Daniel Yar Hamidi

Abstract
This paper outlines a conceptual framework with a research model for understanding innovation-promoting board leadership in entrepreneurial small and medium-sized enterprises (SMEs). The framework and research model depict the behavioural aspects of board leadership and how these are related to strategy development and the entrepreneurial strategic posture of entrepreneurial SMEs. Engaging in innovation is identified as a fundamental strategic posture in entrepreneurial SMEs. The advantages of a team production perspective on board leadership embedded in behavioural theories are discussed, as are the theoretical and managerial implications of the proposed framework and research model.

Introduction
Entrepreneurial small and medium-sized enterprises (SMEs) are an important source of economic growth and a boost for the long-term development of regions and countries. The development and performance of SMEs have for a long time been a focus for research, where they have been viewed from many different perspectives (Mazzarol and Reboud, 2009, Jennings and Beaver, 1997). A fundamental question has been how firms achieve and sustain competitive advantage. Previous studies have shown that intra-industry differences are greater than inter-industry differences in revenues, which strongly suggests the importance of firm-specific factors (Rumelt,
Distinctiveness in the way of organizing and getting things done is thus a crucial factor for achieving competitive advantage, and this is very much based on the resources and capabilities of the firm (Teece et al., 1997).

A particular stream of research has emphasized the need for SMEs to adopt an overall strategic posture that fits their low degree of formalization and the personalized management styles of their strategic leaders (Covin and Slevin, 1988, Miller, 1990). In essence, this stream of research highlights the highly interdependent relationship between the informal structure of smaller firms and the entrepreneurial strategy that typically guides them in their operations. One of the most effective ways for entrepreneurial SMEs to be competitive is to support and develop their capability to innovate. In this respect, the strategic posture of SMEs is often entrepreneurial in nature, driven by opportunity, change and innovation (Gabrielsson, 2007a, Covin and Slevin, 1988). An entrepreneurial strategic posture implies a strong risk-taking propensity, an extensive commitment to technological and product innovation and a proactive competitive orientation (Covin and Slevin, 1991, Gabrielsson, 2007a, Zahra and Covin, 1995). Entrepreneurship can thus be seen as a key element for gaining competitive advantage and greater financial rewards (Schollhammer, 1982).

Governance is increasingly recognized as a key strategic issue in entrepreneurial firms since it involves the set of systems, principles and processes by which the enterprise is controlled and directed (Gabrielson and Huse, 2010a). The board of directors is the primary internal governance mechanism available to a firm (Fama and Jensen, 1983, Daily et al., 2003) and it is often emphasized as an untapped resource in entrepreneurial SMEs (Cowling, 2003, Bennett and Robson, 2004, Berry and Perren, 2001, Huse, 2000, Huse et al., 2011b, Gabrielson and Huse, 2005). Further, it has been suggested that the governance structure and contributions from the board of directors might partially explain why firms existing in the same industries with apparently similar external conditions often show great differences in innovation performance (Fagerberg et al., 2006). The involvement of boards in the control and direction of SMEs might thus be a crucial factor in developing their entrepreneurial strategic posture and thus a source of competitive advantage.

A main challenge for developing boards of directors in entrepreneurial SMEs is the development of their leadership. The importance of board leadership is, for example, evident in the legislation of most nations through the collective responsibility put on board members for setting overall strategic direction and for administrating company affairs. The board member with the greatest ability to shape board leadership is the chairperson of the board
(Leblanc, 2005). In best practice recommendations, emphasis is often put on the role and responsibilities of the board chairperson for organizing and leading board meetings (Gabrielsson et al., 2007). The role of the chairperson is also vital for channelling the engagement of other board members (Roberts et al., 2005) and enhancing the contributions of an often diverse group of board directors towards performing board tasks (Huse, 2007). In this respect, the leadership practised by the board chairperson is widely acknowledged as an essential feature in a well-functioning governance system (Conger, 2009, Huse and Gabrielsson, 2012).

There seems to be little disagreement that board leadership plays a critical role in building a well-functioning board of directors that contributes to the strategy and performance of the firm. However, there is limited scholarly knowledge of how leadership by the board chairperson influences the entrepreneurial strategic posture of SMEs. Extant research on board leadership has been strongly influenced by agency theory, which focuses on boards’ control function (Yar Hamidi and Gabrielsson, 2014). In general, agency theorists advocate the separation of the CEO and chairperson positions in order to secure the adequate execution of board control tasks under the supervision of an independent chairperson (Daily and Dalton, 1997a). While insightful, agency theory is primarily applicable in settings where ownership and control are separated (Jensen and Meckling, 1976a) and where there is a need to safeguard the long-term interests of owners by monitoring managerial and firm performance. As such, this theoretical perspective does not in many ways fit settings characterized by close relationships between owners and managers (Huse, 1998). In this respect, there seems to be a need for alternative theoretical perspectives and approaches to better understand board leadership in entrepreneurial SMEs (Daily et al., 2003, Huse and Gabrielsson, 2012, Gabrielsson et al., 2007, Machold et al., 2011, McNulty et al., 2011, Roberts and Stiles, 1999, Huse, 2005b).

An additional argument for developing alternative theoretical perspectives refers to the need for understanding not only the protection and distribution of value created in the firm but also how value are created (Huse, 2007). Internal value creation in SMEs is closely related to innovation (Gabrielsson, 2007a), which in turn depends largely on continued firm-specific investments from all value-adding stakeholders, who invest their specific resources into the chain of economic activities that make up the firm (Huse and Gabrielsson, 2012). This also calls for questioning the rationality assumptions embedded in mainstream agency theory regarding shareholder primacy (Eisenhardt, 1989a). Boards of directors engaging in value creation face complex and multifaceted tasks
that involve the processing of strategic issues (Jackson, 1992). Scholars have argued that complex decisions of major significance to the organization are largely an outcome of behavioral factors, rather than a mechanical quest for optimization on strictly rational grounds (March and Simon, 1993, Cyert and March, 1963). Such behavioural factors include the importance of stakeholder interactions and working processes inside and outside the boardroom in understanding and explaining board- and firm-level outcomes (Huse, 2007, van Ees et al., 2009).

Against the discussion above, the aim of this paper is to synthesize contemporary theory and research on innovation, entrepreneurship and corporate governance as a means to build and present a conceptual framework and a research model of how chairpersons’ leadership influences the entrepreneurial strategic posture of SMEs. The framework and the research model explicitly identify theoretical relationships embedded in the literature and thereby open up for academic debate and further research the links between board chairpersons, boards’ development practices, firms’ entrepreneurial strategic posture and firms’ performance. In this respect, the framework and research model include a number of propositions that can be debated and validated through further empirical studies. The framework and the research model can also be used as a basis for understanding and developing innovation-promoting boards in entrepreneurial SMEs.

The remainder of the paper is structured as follows. The next section discusses the concept of value creation and puts it in the context of theory and research on boards and corporate governance. Thereafter follows a review of the building blocks of value-creating boards. This is followed by a conceptual framework and a research model, which depict how board chairperson leadership influences the entrepreneurial strategic posture of SMEs. A summary with suggestions for further research concludes the paper.

**Developing value-creating boards**

Value creation lies at the heart of entrepreneurial strategies (Hitt et al., 2001). However, value-creation in a firm can occur and be understood in different ways (Huse, 2007). In this paper, I discuss value creation by boards of directors in the context of entrepreneurial SMEs, where innovation is conceptualized as the primary source of value creation. Value creation is understood as driven by the actions of strategic leaders at the upper echelons of the entrepreneurial firms when making strategic choices aimed at increasing firms’ capabilities to engage in innovation while enhancing their strategic posture. Strategic leaders in this context include owners,
boards of directors, CEOs and senior management teams, who operate within the strategic apex of the firm and thus play an influential role in determining the direction and performance of the firm (Gabrielsson and Huse, 2002). Value can be created in the firm through the collection of discrete but interrelated economic activities, where inputs are produced into outputs and outcomes via a wide range of business activities and interactions (Porter, 2008). It is the full chain of interrelated activities linking both tangible and intangible resources that can create and add unique value to the firm and its various stakeholders.

Governance research has presented a variety of different perspectives from various ideologies and perspectives on how boards contribute to value creation (Huse, 2007). Extant research on boards of directors has mainly focused on firm external perspectives and primarily engaged in debates on the protection and distribution of the value created in the firm (Huse and Gabrielsson, 2012). Both shareholder- and stakeholder-oriented theories represent external perspectives that emphasize how value should be protected from self-interested stakeholders or managers who might look for undue privileges at other stakeholders’ expense, and how value should be distributed among actors external to the firm.

Shareholder-oriented theories, chiefly supported by agency theory (Eisenhardt, 1989a, Fama and Jensen, 1983, Jensen and Meckling, 1976a), argue that board members should be independent from managerial influence. Firm value-creation is understood as maximizing shareholder revenues, and boards are expected to strictly monitor managerial and firm performance in order to decrease the risk of opportunism and to enable the distribution of value to the firm’s shareholders. Stakeholder-oriented theories, on the other hand, argue that there is no group of stakeholders that should have any a priori primacy over other interests. Further, this perspective holds that the survival and success of a firm depend on the ability to create value or satisfaction for all of its primary groups of stakeholders (Donaldson and Preston, 1995). Following this perspective, the board of directors is therefore seen as accountable to a broad variety of stakeholders and must continually assess which of these stakeholders are the most important for the successful development of the firm at any given time, taking into account contingencies and the firm lifecycle.

Contemporary literature and research is on the other hand underdeveloped with respect to firm internal perspectives on value-creating boards. While the mainstream debate on corporate governance and boards of directors has given limited attention to firm internal perspectives on boards we will find this focus in much of the strategic management literature on boards of directors (Huse and Gabrielsson, 2012). Some examples are resource
dependency theory (Hillman et al., 2000, Pfeffer and Salancik, 2003) and the resource-based view of the firm (Zahra and Filatotchev, 2004). Yet these theories do not explicitly discuss the role and inner working of boards of directors or their decision-making activities. From these perspectives, boards of directors are rather seen as resources themselves or as resource providers for the firm and its managers (Gabrielson and Huse, 2010b). This is very much in line with the managerial hegemony perspective (Kosnik, 1987), which is not in congruence with the firm value-creation perspective but is more about value creation for managers via the advice and support for management decision-making (Coles et al., 2001, Huse and Gabrielsson, 2012).

An alternative theory, embedded in a firm internal perspective on value creation, is the team production theory developed by Blair and Stout (1999, 2006). From this perspective, the firm itself, as a legal entity separated from investors, acts as the holder of all property rights over the assets in the firm’s production (Blair and Stout, 1999, Blair and Stout, 2006). In the team production perspective, value creation in the firm is understood as originating from team production. I define team production in line with Alchian and Demsetz’s (1972) definition as “production in which (1) several types of resources are used … (2) the product is not a sum of separable outputs of each cooperating resource … [and] (3) not all resources used in team production belong to one person”. In this context, investors and owners put up money and workers and managers invest their human capital in the firm. Team production presents the evident problems of coordination and shirking in the firm (Alchian and Demsetz, 1972). In order to keep the firm’s productivity and success up, resources should be locked in to the firm and none of the stakeholders should be able to withdraw their contributions from it. In this view, the board directors are “mediating hierarchs” who protect firm-specific investments and have all stakeholders engaged and motivated to keep investing their specific resources into the firm’s production activities. Boards of directors, from this perspective, as important parts of the firms’ governance systems, are not residual claimants in the firm; board members are precluded by their fiduciary duties from taking share of the firm’s surplus for themselves (at least in their roles as directors). Hence, the board has no incentive to threaten the value of team members’ specific investment. In fact, the board wants the team to stay together and to stay productive in the firm in order to guarantee the continuation of the members’ board positions in the future; they therefore have ample motivation to create incentives for all stakeholders to stay with their investment in the firm (Blair and Stout, 2006).
This view on boards of directors maintains a firm internal perspective while it remains in congruence with specific characteristics of innovation processes in firms. Innovation processes are mainly characterized by three elements: (a) specificity of investments; (b) uncertainty about the result; and (c) the impossibility of anticipating future returns (Belloc, 2012). The team production perspective on boards’ roles can enhance and promote the development of innovation by securing long-term engagement by stakeholders by encouraging the investment of their firm-specific resources in firms’ innovation processes. By balancing the interests of all stakeholders and incentivizing them to keep investing their abilities, knowledge and other firm-specific resources despite uncertainties about the results in the innovation processes of the firm, boards will enhance firms’ value-creating potential.

To conclude, it seems fair to argue for the team production perspective as a useful and complementary perspective to advance research on how board chairpersons’ leadership influences the entrepreneurial strategic posture of SMEs. The team production perspective takes into consideration firm internal value creation by recognizing innovation processes that are characterized by the specificity of investments, uncertainty about the result and the impossibility of anticipating future returns. The need for the long-term engagement on the part of all stakeholders seems to be well integrated into boards’ value-creating role in this perspective and the chairperson might develop the board by acting accordingly. Based on this discussion, the next section will start delineating the building blocks of value-creating boards.

The building blocks of value-creating boards

Boards contribute to value creation via their involvement in strategy (Gabrielson et al., 2016, Huse, 2007), which in turn can be supported by board leadership and other related board developmental activities (Huse and Gabrielsson, 2012, Machold et al., 2011). Extant research suggests that active boards in SMEs can contribute with ideas and new perspectives on how to develop the firm and its operations (Borch and Huse, 1993, Gabrielsson, 2007b, Gabrielsson, 2007a). Active boards can also support SMEs in discovering and exploiting market opportunities and facilitating new product development (Zahra et al., 2000, Borch et al., 1999). Hence, there appears to be general consensus on the outcomes of an effective board of directors in entrepreneurial firms regarding its contribution to the firm’s value-creation processes and long-term development (Fiegener, 2005, Knockaert et al., 2015, Huse, 2000). Nevertheless, not all boards are value-creating boards. Some destroy more value than they create, while others spend more time on
value distribution than they spend on value creation (Huse, 2007, Huse et al., 2009). Recognizing the development of value creating boards is thus an important part of scholarly research, aiming to better understand how board chairpersons’ leadership influences the entrepreneurial strategic posture of SMEs.

The value-creating potential of boards is largely dependent on four building blocks (Yar Hamidi and Gabrielsson, 2016). These building blocks include board structures, board processes, the culture in the boardroom and the cognitive aspects of the board’s work. The four building blocks are briefly described below and summarized in Figure 1.

- **Board structures** refer to the board leadership practices that structure and organize the board’s work (Huse, 1998, Gabrielsson and Winlund, 2000). They include the presence and quality of meeting agendas, protocols and instructions and policies for the board’s work (Yar Hamidi and Gabrielsson, 2016).

- **Board processes** refer to the board leadership practices associated with the working processes in and around the boardroom (Gabrielsson and Winlund, 2000, Huse, 1998). They include board leadership practices related to coaching the CEO, summarizing board discussions and following up on the execution and implementation of board decisions (Yar Hamidi and Gabrielsson, 2016).

- **Board culture** refers to the board leadership practices associated with the system of shared assumptions, values and beliefs among board members (Huse, 2005b). They include board leadership practices that influence and encourage integrity, generosity and cohesiveness in the boardroom.

- **Board cognition** relates to the cognitive aspects of the board’s work (Forbes and Milliken, 1999; Rindova, 1999). They include board leadership practices that influence knowledge sharing and the encouragement of constructive cognitive conflicts in the boardroom, and the active use of its input into firm strategy development.
Figure 1: The building blocks of value-creating board leadership
Board structures, board processes and the boardroom culture are *enablers* of an effective and well-functioning board. Enablers can thus be largely understood as hygiene factors (Herzberg, 1966). Herzberg (1966) proposes that some factors in the workplace create job satisfaction while other factors create job dissatisfaction. The theory concludes that satisfiers and dissatisfiers are not on a continuum whereby an increase in one factor causes another factor to decrease. Rather, the theory proposes an asymmetric structure of causal effects that requires an understanding of all factors if the desired results are to be achieved. In the same vein, effective board work is a necessary but not sufficient condition for creating a value-creating board. Rather, there is a need to include the cognitive aspects of board work to develop the board’s full value-creating potential. This can be referred to as *energizers*, which directly contribute to the promotion of innovation processes in the firm. It is thus the cognitive factors that transform effective boards to innovation promoting boards (Yar Hamidi and Gabrielsson, 2016).

In sum, enablers are board leadership practices related to structures, processes and culture that support the development of a well-functioning and effective board of directors. Many board leadership practices support the development of well-functioning boards rather than promote innovation. Energizers include board leadership practices that influence the cognitive dimensions of boards’ work (Forbes and Milliken, 1999). Board leadership may in this context play an important role in the development of the board’s work towards a value-creating board by enhancing capabilities in a firm to conduct innovative activities, as shown in Figure 1.

**A conceptual model of value creating board leadership**

A conceptual model of value-creating board leadership in entrepreneurial firms is presented in Figure 2. The model depicts the relationships between chairpersons’ leadership, strategy development and the entrepreneurial strategic posture of SMEs. Further, the model depicts relationships between boards’ strategy development, firms’ entrepreneurial strategic posture and firms’ performance. The latter part has been presented and extensively debated in scholarly research (Covin and Slevin, 1991, Daily and Dalton, 1992b, Gabrielsson, 2007a, Zahra and Covin, 1995). The focus in this paper is thus on the relationships between chairpersons’ leadership, tasks, knowledge and experience. The remainder of this section will discuss the core concepts constituting the model.
Entrepreneurial strategic posture

Entrepreneurial strategic posture has attracted a broad stream of scholarly research in strategic management and entrepreneurship research and is generally regarded as a strong predictor of firm performance (Daily and Dalton, 1992b, Gabrielsson, 2007a, Zahra and Covin, 1995, Covin and Slevin, 1991). Entrepreneurship as strategy is considered to be a way to revitalize firms and enhance firms’ competitive advantage (Covin and Slevin, 1991, Zahra and Covin, 1995). The seminal article by Miller (1983) describes an entrepreneurial firm as “one that is engaged in product-market innovation, undertaking somewhat risky ventures, and is first with proactive innovations, beating competitors to the punch”. Later, Covin and Slevin (1991) developed this conceptualization into a model of firm entrepreneurship be-
haviour which, in its description of an entrepreneurial strategic posture, refers to innovation, risk-taking and proactiveness (Miller, 1983).

The entrepreneurial strategic posture of firms are reflected in different organizational-level behaviours (Covin and Slevin, 1991). In this paper, I argue that proactiveness is a prerequisite for innovative behaviour and thus a criterion for engagement in the generation or adoption of innovations. By the same token, risk-taking is by definition a necessary part of any innovation process (Belloc, 2012, Francis and Smith, 1995). Thus, I contend that the most characteristic entrepreneurial strategic posture of SMEs is the commitment to the generation and/or adoption of innovations.

**Strategy development**

Research on boards’ involvement in strategy has been extensive (Judge Jr and Zeithaml, 1992, McNulty and Pettigrew, 1999, Pugliese et al., 2009, Golden and Zajac, 2001). Research evidence suggests that strategic planning in SMEs is positively associated with enhanced firm performance, both when it comes to the plan itself and in the process of developing the plan (Brinckmann et al., 2010). Boards’ involvement in strategy is understood as the most important contribution of the boards of directors to firms’ value-creation processes (Demb and Neubauer, 1992, Pugliese et al., 2009, Judge Jr and Zeithaml, 1992). An active board is argued to be involved in formulating strategic decisions, not only ratify-and-control strategies (McNulty and Pettigrew, 1999), and thus shapes the entrepreneurial strategic posture of the firm (Gabrielsson, 2007a). Hence, boards’ strategy involvement might be described as a key indicator of board effectiveness (Stiles, 2001).

**Chairperson leadership efficacy**

Boards’ involvement in strategy is broadly understood as an essential contribution to the firms’ value-creation processes (Demb and Neubauer, 1992, Pugliese et al., 2009, Judge Jr and Zeithaml, 1992). Chairpersons’ leadership efficacy might be an especially significant element of board strategy involvement in entrepreneurial SMEs (Machold et al., 2011). Boards in SMEs are characterized by a relative scarcity of resources (Cowling, 2003) because of their small size and, usually, the dominance of internal board members. Daily and Dalton (1992) argue that leadership in these boards is likely to be of great importance for coordinating the scarce resources towards creating an effective board.
An important aspect of boards’ work and governance is the power and capability of strategic leaders to manage and coordinate other key actors in and around the boardroom to produce anticipated results (van Ees et al., 2009). This stems from the notion that strategic decision-making is, to a great extent, a political process (Huse, 1998) that comprises different coalitions of actors with a stake in the organization (Huse and Rindova, 2001). As such, the board chairperson needs, among other skills, to be skilled in mediating between various coalitions of internal and external actors to ensure that organizational effort is directed towards achieving the overall goals that the dominant coalition has set (van Ees et al., 2009). Such leadership not only addresses the structural features of the board’s work, but also includes process matters such as building effective boardroom dynamics (Sonnenfeld, 2002), using resources and expertise inside and outside the boardroom (Huse, 1998) and ensuring that the boundaries between board and management responsibilities are clearly stated and respected (Leblanc, 2009). In such a context, the chairperson’s leadership efficacy must be considered to be a competence that complements and organizes important board resources (Collis, 1994, Zahra et al., 2006). Following this theoretical logic, my first proposition is formulated as follows:

P1: Chairpersons’ leadership efficacy is positively related to board strategy involvement in entrepreneurial SMEs.

Chairpersons’ firm-specific knowledge

The provision of knowledge and skills can directly influence firms’ value-creating capacity. This is especially the case if such knowledge is firm-specific, such as knowledge of critical technology, competitors’ main features and product/market developments (Kaufman and Englander, 2005). A key issue of board leadership is to ensure that board members have knowledge relevant to the firm (Hillman and Dalziel, 2003, Forbes and Milliken, 1999). Experientially acquired knowledge about firm-specificities is often seen as a key input in strategy discussions and a main source of competitive advantage (Barney, 1991). Such firm-specific knowledge increases the understanding of the kind of strategic resources the firm has and the ways in which these resources provide advantage over competitors (Gabrielsson and Winlund, 2000, Forbes and Milliken, 1999), and is a valuable cognitive input to strategy making (Rindova, 1999).

Boards’ knowledge and skills are particularly important in SMEs since small firms are typically characterized by a scarcity of financial and mana-
Board members’ firm-specific knowledge may therefore supplement the firms’ internal knowledge and skills, which are provided by the CEO and the management team.

The firm-specific knowledge of the chairperson can be expected to be a critical component for utilizing and coordinating the board’s ability to shape and influence strategy in entrepreneurial firms, as it enables board members to discuss and deal with the complexity and uncertainty associated with strategic decisions more actively (Farjoun, 1994; Lorsch, 2009). Following this line of argument, the chairperson’s firm-specific knowledge can be associated with increased levels of board strategy involvement in SMEs. Hence, the next proposition is formulated as follows:

P2: Chairpersons’ firm-specific knowledge is positively related to board strategy involvement in entrepreneurial SMEs.

Chairperson task performance

Despite the common recognition that a vigilant board of directors can affect the strategic direction and performance of the firm, there are different perspectives on how to conceptualize this relationship (Gabrielsson, 2007a). Most research on board tasks has been centred on a demography approach to the board and its composition, trying to relate board demographic measures directly to company performance (Daily and Dalton, 1998, Daily et al., 1999). In opposition to this view stands an increasing interest among scholars arguing for the need to study and understand the actual behaviour of boards (Gabrielsson, 2007a, Huse et al., 2011a, Machold et al., 2011, McNulty et al., 2011, Gabrielsson and Huse, 2004c).

While the main underpinning assumption in the demographic approach is that the beliefs and behaviours of boards as decision-making groups can be deducted from their demographic characteristics (Hambrick and Mason, 1984), the behavioural perspective contends that boards as groups with multifaceted and complex tasks are particularly vulnerable to interaction difficulties (Forbes and Milliken, 1999, Zahra and Pearce, 1989). Intervening processes will thus influence directors’ decisions as much as any other groups (Pettigrew, 1992). In this context, the chairperson as the leader of the board’s work might play a crucial role by directing the collective effort of directors in their decision-making in the firm’s value-creation processes. There is compelling evidence that the leadership and capabilities of the chairperson affect the work of the board of directors (Cadbury, 2002,
Leblanc, 2005, Gabrielsson et al., 2007). However, the various tasks that chairpersons perform are still poorly understood phenomena.

It is widely acknowledged that the CEO plays a crucial role in defining the competitive orientation of SMEs (Chandler and Jansen, 1992, Miller and Toulouse, 1986, Begley and Boyd, 1987). The board of directors’ support for the CEO might be an important aspect in encouraging the CEO to exhibit a willingness to commit energy and effort to entrepreneurial initiatives and strategies in the firm. The chairperson’s behaviour and task might align the board’s contributions and thus encourage the CEO to conduct (or discourage him or her from conducting) proactive strategies or show risk-taking behaviour.

Extant research on boards has generally described three key tasks for boards: (a) the service task, i.e. the provision of technical and business advice and the evaluation of strategic decisions in the firm; (b) the networking task, i.e. facilitating access to external resources and legitimation of the firm; (c) the monitoring task, i.e. the control of managers’ and firms’ performance and the protection of shareholders’ interests (Zahra and Pearce, 1989, Stiles, 2001, Johnson et al., 1996).

The board literature defines various leadership roles assigned to chairpersons. Among the various roles can be mentioned mentor, chair, integrator, negotiator, mediator, figurehead, entrepreneur, strategist, supporter etc. (Huse, 2007).

A recent study on board chairpersons in owner-managed entrepreneurial firms, identified four tasks that chairpersons engage in frequently and that were valuable to encourage entrepreneurship (Yar Hamidi, 2015b). The tasks are:

1. **Gap-minding**, i.e. identifying knowledge gap among the senior management team and the CEO and helping to provide them with this lack of knowledge through the board and its directors or by appointing other sources of possible help such as consultants or resources in their network;

2. **Alibiing**, i.e. offering the CEO and the firm the board’s legitimacy and support when tough decisions need to be made, at times when the CEO might be reluctant to make these decisions due to social or emotional impediments. This is about letting the board of directors to take responsibility for the discomfort of the tough decisions while offering the CEO an alibi;

3. **Scrutinizing**, i.e. carefully and critically examining the CEO’s suggestions on strategy with the intent to validate these. Thus scrutinizing differs from advising by coaching and guiding senior manage-
ment and the CEO to “discover” answers by asking the right questions;

4. *Mediating*, i.e. acting between different stakeholders with a view to reconcile differences and finding a better path to value creation in the firm.

The following propositions summarize how the key chairperson tasks identified above may relate to firm’s entrepreneurial strategic posture.

P3: Chairpersons’ involvement in the gap-minding task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P4: Chairpersons’ involvement in the alibiing task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P5: Chairpersons’ involvement in the scrutinizing task is positively related to firms’ entrepreneurial strategic posture in SMEs.

P6: Chairpersons’ involvement in the mediating task is positively related to firms’ entrepreneurial strategic posture in SMEs.

Chairpersons’ industry experience

Boards’ knowledge and skills are especially important to SMEs (Zahra and Filatotchev, 2004). Forbes and Milliken (1999) emphasize two dimensions of knowledge relevant to the board of directors: functional area knowledge and skills; and firm-specific knowledge and skills. Firm-specific knowledge relates to the information about the firm itself and an intimate understanding of its challenges, operation and managerial issues.

I argue that chairpersons’ extensive industry experience, especially from successful firms, may convince individuals that superior organizational performance is a result of conformity to the dominant logic of the industry. This might therefore limit the use of boards’ knowledge when the industry’s taken-for-granted measures are accepted by the chair. It might also affect the discussion of the board by posing as “the rules of the game” (Cliff et al., 2006). Spender (1989) suggests that managers and entrepreneurs operating in the same industry develop a set of shared beliefs, or “industry recipes”, which imposes order on their logic and limits their information processing. The common understanding of the industrial environment and solutions among firms producing similar products thus triggers the acceptance of taken-for-granted behaviour through socialization processes. Gabrielsson and Politis (2012) found in their study of entrepreneurs’ work experience that deep industry work experience shows a negative significant association with the number of new business ideas. This suggests that where entrepreneurs have operated for longer within an industry they are less likely to
come up with new business ideas. This might be the effect of an institutionalization of beliefs and widely shared views that may be developed within industries (Cliff et al., 2006, Spender, 1989).

Applying problem-solving heuristics and memorized practices is a way for experienced directors to reduce the complexities of decision-making. Since these heuristics function as carriers of knowledge and experience, they are fairly hard to change (Cyert and March, 1963) and might over time develop into obstacles to breaking out of established paths of thinking and acting; they may as a consequence constrain firms’ entrepreneurial strategic posture. In the same vein, I argue that the experimentally acquired knowledge of the chairperson, gained from longer tenure within a particular industry, might become a fence that blocks the path to new solutions and ways of understanding the strategic path of the entrepreneurial firm, thus affecting boards’ strategy development. To conclude, the following propositions summarize the discussion above about how chairpersons’ industry experience may relate to firms’ entrepreneurial strategic posture and boards’ strategy development.

P7: Greater chairperson industry experience is negatively related to firms’ entrepreneurial strategic posture.

P8: Greater chairperson industry experience is negatively related to boards’ strategy development.

Conclusions

This paper contributes to literature and research by presenting a conceptual framework of how board chairperson leadership influences the entrepreneurial strategic posture of SMEs. The proposed model has several implications. A theoretical implication is that board leadership tasks might be seen as a predictor of firms’ entrepreneurial strategic posture, while a new terminology is introduced to illuminate the work and tasks of the chairperson in entrepreneurial firms. Board leadership effect is thus presented as an important factor in searching for paths for the development of entrepreneurial firms. A second theoretical implication of the findings is that board development towards value creation is about more than just effective board work. In the discussion about the value-creating boards and the proposed model for board development I contend that behind board effectiveness there is a need for cognitive work and capacity in boards. This might be the most important contribution of a chairperson to establish board work that aligns the cognitive contributions of individual board members to contribute to firm development in entrepreneurial firms.
A managerial implication for the model is that entrepreneurial firms with boards consisting of family members and owners might have some incentives to consider the composition of their boards. A second managerial implication is the process of searching for external board members and chairpersons. My propositions argue for a strong positive effect by firm-specific knowledge while extensive industry experience might have a reverse effect on the entrepreneurial strategic posture of the firm.

I acknowledge that the conceptual model presented in this study has limitations that should be identified prior to discussion of its implications. First, despite its generic orientation, the model may not be applicable to all organizations. The model is intended to depict the causes and consequences of organizational-level entrepreneurial behaviour among smaller entrepreneurial firms and thus is perhaps less applicable to larger corporations. In the latter, other board leadership aspects may be more important, as discussed in prior research on board leadership. Second, the model is composed of multiple constructs representing different levels of organizational system. I limit the focus of this paper to the aspects of board leadership that left some of the constructs in the model with less attention. However, as discussed in the paper, other scholars (Covin and Slevin, 1991, Machold et al., 2011, Gabrielsson et al., 2007, Blake and Saleh, 1992, Daily and Dalton, 1992b, Gabrielsson, 2007a, Teece, 2012) have extensively discussed other variables in the model. Third, while the model’s variables are clearly specified, these represent broad constructs that operate at a high level of generality. The chairperson’s task or leadership efficacy, for example, can be operationally defined in other terms depending on the theoretical frame used. A consequence might be that the model is not as descriptive as a narrowly defined model might be.

Future research into this topic may proceed along a number of important paths. Studies of board leadership in entrepreneurial firms and the behavioural aspects of board leadership would be certainly useful to better define the process and domain of board leadership as key to developing value-creating boards. The proposed model of board leadership in entrepreneurial firms in this paper presents a few specific relationships that are open to further investigation. Hopefully, future research will find this model an appreciated conceptual work that suggests new paths to research on board leadership.
References


