Board influence from and beyond the boardroom, a provisional explanation

Abstract

Over recent decades researchers with an interest in company performance have increasingly shifted their attention from the study of the chief executive to the board of directors. A considerable body of knowledge has now been published, including correlations between variables of interest, theories, conceptual models and rich descriptions of normative practice. However, evidence to explain how boards *actually* exert influence over firm performance from the boardroom is yet to appear. That the board's ability to exert such influence has not been adequately described—let alone explained—is a significant knowledge gap in the literature, one to which this paper seeks to contribute.

The specific aim of this paper is to explore corporate governance and board practices through the lens of strategic management. A longitudinal multiple-case study approach was used. Primary data was collected from the direct observation of the boards of two large high-growth companies in New Zealand. Secondary data sources included interviews with the chairmen and chief executives, and board and company documents. An iterative approach to analysis was utilised to gain a deep understanding of board activity, especially the boards' involvement in strategic management. The analysis subsequently revealed insights leading to the development of two models—a collaborative form of board–management interaction; and, a mechanism-based model of the governance–performance relationship.

The research makes contributions to corporate governance research by extending specific early and largely normative contributions. The board's involvement in strategic management (especially strategy development, strategic decision-making and monitoring of strategy implementation) now appears to be significant. This involvement is achieved via the activation of five harmonious underlying attributes. While no explicit or predictable relationship between board interventions and subsequent firm performance was discovered, the findings provide insight to enhance knowledge of the contingent nature of the board's ability to exert influence from and beyond the boardroom.