Abstract

It is now nearly three decades since the first Cadbury and King reports on corporate governance were published. Since then statements have been promulgated and/or regulations for so-called best practice have been introduced in most jurisdictions, and countless research articles have been published. Further, the subject of corporate governance has become common parlance across the research, business, investor and broader stakeholder communities. The net result is that 'governance' is increasingly being seen as a panacea for business performance. Early recommendations for structural remedies, such as, independent directors and an end to duality on boards are now being replaced with calls for diversity. Yet are we any closer to understanding whether or not corporate boards positively impact on business performance—and if so how?

The aim of this paper is to provide a succinct account of the progress made to date. A first principles-based approach is adopted throughout the paper beginning with the often visited but seldom reconciled question of what is corporate governance. A natural progression is then presented in the discourse by exploring when corporate governance is required. At that point convergence between corporate governance as a mechanism and its application to when ownership and control separate is identified.

The underlying assumptions of research, recommendations for best practice and the common regulatory frameworks are then explored, revealing that the relationships between structural attributes of boards, regulatory- or principled-based frameworks and other contextual features and business performance are at best weak or more likely they don't exist. Causality between corporate governance and subsequent business performance has not been systemically established. That this deficiency has failed to slow the rate of recommendations from interested communities is then noted.

The authors then explore what knowledge needs to be created in the domain of corporate governance and call both the research and practitioner communities to account for choosing to ignore human frailties, such as, hubris and incompetence. That the subject is neither complex nor obsolete, in the face of calls to reform the company as the fundamental building block of wealth creation across the free world is then posed.

Key words

Corporate governance; business performance; research and practice; populist agenda

Introduction

It is now nearly three decades since the first Cadbury and King reports on corporate governance were published. Each of those reports were provoked by emerging concerns over the effectiveness of corporate governance within their respective constituencies. The first Cadbury report was motivated by the 1987 stock-market crash, when billions of pounds of wealth had been stripped from shareholders. The recommendations were developed with the intention of reducing the likelihood of a repeat. In contrast, King was engaged directly by Nelson Mandela to develop a set of recommendations to balance shareholder primacy with broader stakeholder obligations (King, 2017). In the post-apartheid era, the credibility of Mandela's reforms were at risk if not accompanied by significant redistribution of wealth. It is hardly surprising then that the two reports cannot be comfortably reconciled—one sets out to strengthen shareholder primacy the other effectively to dilute it. Nevertheless, the combined effect was to draw significant attention to company directors, boards, corporate governance and business performance—especially amongst publicly listed companies.

Since those two early contributions, a plethora of statements have been promulgated, regulations for so-called best practice have been introduced in most jurisdictions and countless research articles have been published. The subject of corporate governance has become common parlance across the research, business, investor, consulting and broader stakeholder communities—almost everyone wants in. The net result of relevance to this discussion is that 'governance' is not only increasingly being seen as a panacea for business performance but is being actively promoted from which to do so.

Early recommendations for structural remedies, such as, independent directors, independent audit committees, and an end to duality on boards are now being replaced with calls for diversity. Yet are we any closer to understanding whether or not corporate boards positively impact on business performance, and if so how? Or, as has occurred in the past when b-school preoccupations with firstly strategy, structure and performance; then secondly, the CEO business performance relationship will the entire experience prove largely fruitless and a new more exciting agenda emerge, leaving the last unresolved? For extraordinarily rational reasons, namely the pursuit of explanation in sociological and economic systems, corporate governance has become the panacea for business performance—despite the relationship between the two being at best very weak, to say nothing of the lack of causality emerging to date.

This paper is presented as a critically reflective thought-piece based on the experiences, observations, research and accumulated learnings of the authors. In true b-school fashion those could be quantified in terms of numbers of board appointments, board and shareholder meetings attended, interventions undertaken, the decades of practice and research and so on. More importantly, the authors better represent an eclectic group of New Zealand's 'go to' consultants and researchers in the corporate governance domain. It is the learnings from a consistent effort in preventing failure, their statutory appointments, and board interventions that underpins the perspective being presented in this paper.

Explaining corporate governance

Corporate governance is a term that appears to be "widely used but rarely defined" (Larcker & Tayan, 2013, p. 9). Numerous definitions have been reported in the academic literature (Aguilera & Jackson, 2010). However, as yet no single definition has been universally accepted in either academia or practice—acknowledgment perhaps of the socially dynamic nature of corporate governance and the complexity of the wider contexts within which boards operate, the company and the business ecosystem.

From first principles (e.g., The Oxford English Dictionary, 2010) corporate governance emerges as a mechanism of some sort, comprised of both longer-term (direction) and shorter-term (feedback) processes, specifically within a company context. Longer-term direction and goal setting (governance) incorporates overall business goals, strategy and strategic decision-making, whereas the shorter-term feedback cycle (cybernetics) relates to the monitoring activities and control adjustments required to maintain progress towards agreed business goals.

References to 'corporate governance' in a company context were rare before 1960. While Berle and Means (1932) described the need for a structure to define or control interactions and to protect the interests of shareholders when the ownership (of company shares) and control (of decision-making) in companies are separated, they neither used the terms 'governance' or 'corporate governance'. The potential need to protect the interests of shareholders when ownership (via company shares) and control (of decision-making) are separated was recognised over 200 years prior to Berle and Means' contribution, with the formation of royal chartered companies in Britain. Smith's (1776) commentary that, "the managers of other people's money rather than their own, cannot well be expected to watch over it with the same anxious vigilance with which (they) watch over their own" (cited in Tricker, 2012, p. 6) provided the essence of early interpretations of governance: The managers of other people's money need to be controlled.

The first explicit usage of the term ‘corporate governance’ in the academic literature appears to have been provided by Eells in 1960. His reference to the “structure and functioning of the corporate polity” (p. 108) was used to describe the role and activity of boards of directors. But the term ‘corporate governance’ does not seem to have been explicitly used again, in either the practitioner or the academic literature for nearly two decades. In 1984, Bob Tricker began to write about the board–management interaction in earnest, and to use the term ‘corporate governance’. Most of the descriptions of ‘corporate governance’ provided in the academic literature, say up until the late 1990s then emphasised the importance of the monitoring and control aspects of the exchange between the boards and managers of large publicly-listed companies. Dayton (1984) for example, described corporate governance as being “the processes, structures, and relationships through which the board oversees what its executives do” (p. 34).

Cadbury (1992) later proposed that corporate governance is a system “by which companies are directed and controlled” (p. 15), realigning the quest for a definition with Eells’ (1960) earlier proposal. Later, more expansive descriptions were proposed including that by Shleifer and Vishny (1997), who suggested that corporate governance is the “means by which various stakeholders exert control over a corporation by exercising certain rights as established in the existing legal and regulatory frameworks as well as corporate bylaws” (p. 374). The usage of ‘means by which’ implies that Shleifer and Vishny conceived corporate governance as being a broader system or process, the purpose of which was to allow or enable “various stakeholders” to exert control within a legal and regulatory framework. John and Senbet’s (1998) statement, that “corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected” (p. 372), offered support for Shleifer and Vishny’s (1997) proposal.

Subsequently, Charreaux’s (2008) search for a ‘lost link’ between the characteristics of leaders and firm performance extended the understanding yet further. His use of the term ‘system of governance’ encapsulated statutes, regulations, codes of practice, ethics, shareholders and markets, companies, and boards of directors—describing, in effect, an entire business ‘ecosystem’. Which is well beyond what we consider the bounds of corporate governance. External effects, influences and law no doubt shape corporate governance, but law remains law, business ethics – ditto and so on. The fundamental understanding of theory (parsimony) in these instances has been ignored.

These definitions positioned corporate governance as being some sort of control-based structure, process or system (or a combination thereof), through which problems associated with the separation of ownership and control in large companies are mediated and addressed (Baysinger & Butler, 1985). The primary emphasis, on monitoring and control tasks should not be surprising given the dominance of agency theory (Aherns & Khalifa, 2013) as a representation of the board–management interaction in publicly-listed companies in the Anglosphere, from where most of the early board and governance research subsequently emerged. All of which was supposedly forewarned by Adam Smith some 250 years earlier, if we choose to read with anticipation considerable business growth, development and significant changes to legal structures into his work.

After the turn of the 21st Century scholars began to explore the board's involvement in value creation in companies (Huse, 2007, 2009b; Pitelis, 2004), seemingly on the assumption that involvement by boards might be expeditious to the achievement of firm performance goals and shareholder wishes (Daily, Dalton, & Cannella, 2003). At each iteration, the scope of corporate governance was expanded, ignoring the demands of parsimony. The oft-cited and widely accepted (Ahmad & Gonnard, 2007) Organisation for Economic Co-operation and Development (OECD) definition (2004) is typical of these:

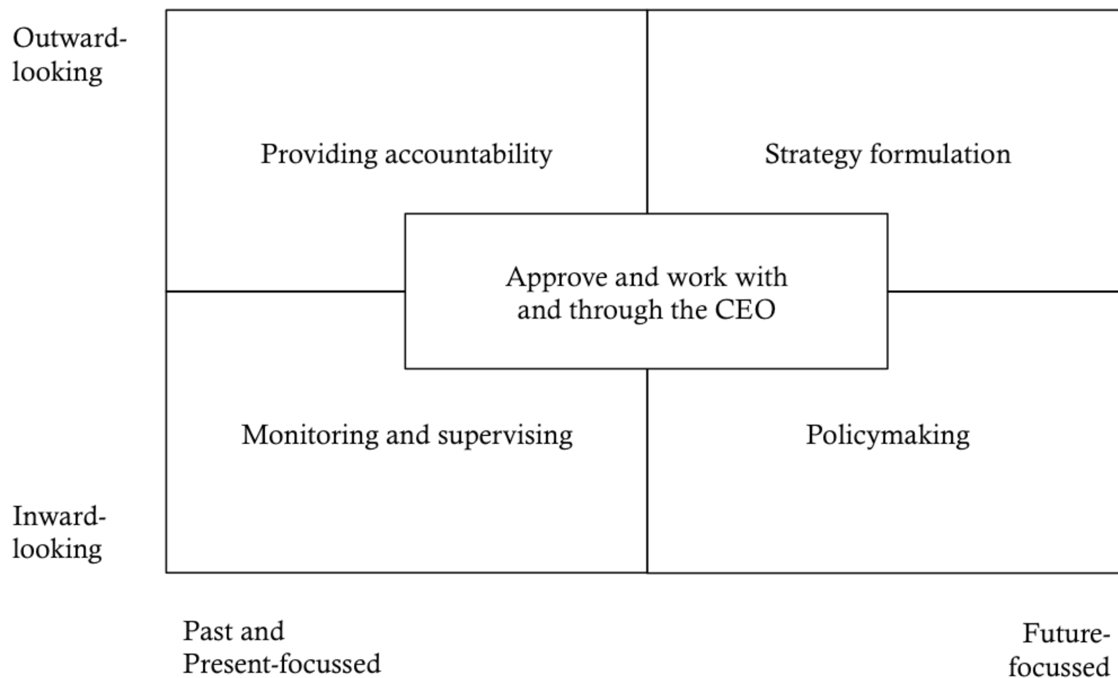
> Corporate governance involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. (p. 11)

A framework initially proposed by Hilmer (1993) and subsequently refined by Garratt (1996) and Tricker (2012) added much-needed clarity. Tricker's refinement of Hilmer's two-by-two matrix structure (see Figure 1 below) demonstrated that board activities have both internal and external, and conformance and performance dimensions.

The preceding discussion demonstrates that several conceptual understandings of corporate governance have been proposed over time, and with the exception of those offered by Cadbury and the OECD none have gained wide acceptance to date. Corporate governance has been conceptualised in structural, process and policy framework terms and, more generally, it has been associated with an all-encompassing ecosystem that extends well beyond the company in some descriptions. Despite these variations, the board provides the important link between shareholders and managers (Berle & Means, 1932) the need for which emerges when 'ownership' and 'control' are separated (Fama & Jensen, 1983),

placing the board at the "epicentre of strategic decision making and accountability" (Hemphill & Laurence, 2014, p. 197).

Figure 1. Tricker's framework of board activities



Source: R. I. Tricker. (2012). The evolution of corporate governance. In, T. Clarke & D. Branson (Eds), *The SAGE handbook of corporate governance* (p. 45). London, England: SAGE Publications.

Clearly, the definition proposed by Eells (1960), the "structure and functioning of the corporate polity" (p. 108) was inadequate in that it identifies the locale but neither process nor outcome – where it is, but little more. So the lack of a widely accepted (as opposed to commonly cited) definition (Durisin & Puzone, 2009) appears to have confounded both researchers and some practicing company directors, to say nothing about the broader stakeholder groups, ever since.

For the purposes of this research, the structure and functioning of the corporate polity (i.e., corporate governance) is assumed to be distinct (but not independent) from (the functioning of) the wider business ecosystem, within which companies operate. The widespread acceptance of the OECD definition within both the research and practice communities suggests that it provides a useful working definition of 'corporate governance' (i.e., the system by which companies are directed and controlled (Cadbury, 1992)), with the caveat that it is companies where separation, as opposed to unification, exists and there

remains an intent by the board to influence firm performance—hopefully positively. The separation argument is revisited later in this paper, suggesting that the what and where of corporate governance are inherently linked—of which the debate of where is being continuously challenged as governance emerges as a panacea for poor performance across the private; public; third; and, sport sectors.

Governance as a mechanism

The possibility of a mechanism-based conceptualisation of corporate governance is intuitively attractive, especially given the complex and socially dynamic nature of board activity and decision making. Both Charreaux (1997, 2008) and Wirtz (2011) explored the application of 'mechanism' within their board and governance research Their usage of 'mechanism' is consistent with the definition provided by Bunge (2004), as a complex interaction within a structure that can lead to a change occurring. However, they conceptualised the board as a mechanism, within a broader and complex 'system of governance', which reintroduces the broadening definitional scope identified in the earlier discussion. Nevertheless, we have found that the meta-model initially suggested by Charreaux and subsequently refined by Wirtz provides helpful guidance to inform both governance research and practice.

Corporate governance, when understood as being a mechanism appears to offer a viable means of understanding how boards work and how influence on and responsibility for subsequent performance is actually achieved by them. If underlying mechanisms including, potentially, a hierarchy (Danermark, Ekstrom, Jakobsen, & Karlsson, 2002; Wirtz, 2011) and, probably social mechanisms (Little, 2011) can be identified, it may be possible to develop precise descriptions of how boards exert influence from the boardroom. The underlying qualities (Groff, 2011; Morais, 2011) possessed and expressed by social agents (in this context, directors) are then expected to have an effect, both individually and collectively on the activation of the mechanism as well.

The mechanism-based interpretation also challenges the dominant understanding of board activity and board contributions as being a structure (Adams, Hermalin & Weisbach, 2010); a repeatable process (Finkelstein & Mooney, 2003); a policy framework (Carver, 2010), or some combination thereof. This is not to suggest that these conceptualisations are wrong or inappropriate, but rather that the re-description of corporate governance, as a mechanism to be activated by boards when in session (i.e., in board meetings) may be more appropriate.

However, if corporate governance is conceptualised as a mechanism enabled when boards are in session then much governance research conducted to date is unlikely to inform practice. It is for all intents and purposes much ado about nothing. While perhaps best explained by the academic practitioner divide, the lack of observation of the mechanism, and worse the increasingly widespread acknowledgement of the need to even do so renders the research community largely blind—and increasingly vulnerable to the 'fads' forewarned by Shapiro (1996) some twenty years ago.

When corporate governance is required

Historically, governance researchers limited the contextual relevance of their contributions to the boards and shareholders of publicly listed companies. Berle and Means (1932) attributed the need for governance to the separation of ownership and control arising from the multiplication of owners in both quasi-public and public corporations. They observed that the public corporation—as we know it today—had by 1932 become the normal (p. 18) (common) structure from which to pursue business interests. Normalising the public corporation in the United States of America where entrepreneurs were confronted with a scale not previously encountered in Europe did not escape the attention of the authors. For the majority of the firms they studied were either in extractive, infrastructure, transport, or production industries, a mere handful (6) were in their classification of amusements (e.g., Kodak, Warner Brothers & Paramount). When confronting the sheer and brutal scale[1] of the North American continent entrepreneurs rarely had little choice but to rely on significant contributions of third party equity capital. The rest, as they say is history. The modern corporation as a normal form of business was born.

Therefore, one of the fundamental tenets of what has subsequently become corporate governance is the separation of ownership and control. This separation is brought about by the introduction of third party equity capital by way of either an initial public offering (Ritter & Welch, 2002) or is attracted by the firm in the form of venture capital (Hellmann & Puri, 2002). On both occasions that capital is typically unaccompanied by either subsequent employment in the corporation or a position of control through governance. It

[1] The distance between New York and Los Angeles is 4,476km across five distinctly different geological formations. By contrast Paris to Moscow is 2,834km, which can be undertaken by canal boat currently across six (6) international borders.

is through either of these circumstances that the requisite construct of separation appears to emerge[2].

Two other trenchant observations relevant to this paper were made by Berle and Means (1932). The first observation is that “the property owner who invests in a modern corporation so far surrenders his wealth to those in control of the corporation that he has exchanged the position of independent owner for one in which he may become merely the recipient of the wages of capital” (p. 5). What they were observing was the significant shift in both roles and responsibilities provided by the corporate form where investment through joint stockholding occurred. The second observation pertinent to this paper, and one from which the discussion is also motivated is their observation that “it has long been possible for an individual to incorporate his business even though it still represents his own investment, his own activities, and his own business transactions; he has in fact merely created a legal *alter ego* by setting up a corporation as the nominal vehicle”, an argument to which we concur. In such circumstances a state of unification exists, separation has not occurred. Directors exist under various acts in multiple jurisdictions, a board of directors (more than one director) may exist—but the need for and a state of corporate governance is yet to emerge. Simply put, the shareholders are the directors; they are in the room and responsible for decision-making there is no requirement for an additional mechanism.

We argue that corporate governance, therefore, only emerges as a result of the separation of ownership and control and not before Berle and Means’ (1932) multiplication of owners. Corporate governance is also seen to emerge from another source, that of the appointment of one or more non-executive (Tricker, 1978) or independent directors. This later catalyst for governance is observed to post-date Berle and Means’ work by more than half a century and is increasingly seen as either a solution to repeated unsatisfactory business performance or a means to further enhance performance in a closely held business. While being partly explained by resource-based views (e.g., Siebels & zu Knyphausen-Aufseβ, 2012) it challenges the tenet of separation. We consider that the appointment of an independent director, alongside the shareholder directors to an otherwise closely-held firm is better understood as an intermediate stage or pre-cursor to corporate governance. For while all business owners remain appointed as company directors separation is yet to occur.

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[2] This discussion predates the constructs of the non-executive director (NED) and the independent director.

Further motivation for the need for this somewhat pedantic view has been brought about by increasing awareness of corporate governance and an emerging belief that *governance* is now central to business success. This tautology has been reinforced in New Zealand by a number of agencies including the six major registered banks—partly motivated by the Basel III Accord (Bank for International Settlements, 2014); well-intentioned industry organisations; consulting firms (Sonnenfeld, 2004) of which New Zealand has not been spared; and, membership organisations alike. A multi-year engagement with industry by the authors for the design, development and delivery of several training programmes in which participants embed a 'governance system' in their respective businesses (Yin, 1984, 1993) especially provides the basis for the empirical reflections being drawn upon here.

The need for corporate governance seems to be being inflated by well-intentioned parties across the Anglosphere including, for example, debt providers; industry good organisations; and membership organisations all of whom have undeclared conflicts of interest. Governance has become good business and in doing so the fundamental tenets are being increasingly violated. The separation of ownership and control is no longer the catalyst for governance, as Berle & Means (1932) asserted it should be. Governance is now seen to be the missing activity from many small businesses, devolving to nothing more than conventional management processes – a masquerade. As a result, the fundamental tenets of effective board interaction, the reporting to absent shareholders and the board-management interface have become undermined. Expectations amongst those with supposedly new-found skills of directors and supernumeraries become misplaced and what was a surprisingly simple concept degenerates into a charade.

Early recommendations

The traditional passive practice of governance was largely related to the need for compliance, upholding property rights of absentee owners. Compliance can also be attributed to the limitation of liability bestowed upon a company's owners (Micklethwaite & Woolridge, 2003): the shareholders. The focus on compliance is also a response to the supposed agency problem (Jensen & Meckling, 1976) created by the separation of wealth (Berle & Means, 1932) and the subsequent need for owners, or those appointed on owners' behalf, to control the excesses of management. The early governance discourse largely reinforces compliance: a motivation of which is the distant relationship between the board and the organisation itself—implicit in Llewellyn's (1931) prescient treatment of contracts. However, this focus is at odds with that prescribed by both Pound (1995) and Sonnenfeld (2002) who call for a committed and engaged board to govern the corporation: phenomena often observed in black-box research conducted on exemplar case studies (Stablein, 2006).

But more typically there is a distant relationship between the board and management, as is evident in the exercise of power over agenda setting (Peebles, 2010), something we have observed being created more by the directors themselves - verging on hubris – than the managers involved. This same hubris then spills out of the boardroom, fuelled by accolades for behaviours rarely - if ever - witnessed with objectivity. Competencies being entirely assumed rather than being validated.

Not one, but two phenomena are postulated to evolve from the separation of the provision and control of wealth. The first as already discussed is agency (Jensen & Meckling, 1976). The second is the ensuing confusion between the two groups now supposedly responsible for organisational success: the board on one hand and management on the other.

Attempts to assign distinct roles and responsibilities to the board began in 1966 with the publication of *The Corporate Director* by the American Management Association (Kristie, 1997) and have continued (American Law Institute, 1992) ever since (Institute of Directors in New Zealand, 2012). These roles and responsibilities are widely accepted, being endorsed by Hilmer (1993) and KPMG (2001) in the context of Australian and New Zealand business respectively. In contrast to these 'list' approaches is the argument (Cochran & Wartick, 1994; Taylor, Chait & Holland, 1996) that the board's contribution is strategic and its focus ought to be external. This latter argument is summed up by Cochran & Wartick as governance being "strategy orientated whereas management is task orientated" (p. 10). However, this argument also suffers from being too narrow (Lockhart, 2012), as it incorrectly assumes that internally related activity is less than strategic, and not a board role. But regardless of the source of list of directors' duties, many are largely compliance related: strategy is, typically, ignored. The United Kingdom's Companies Act 2006, s. 172 provides a rare notable exception.

If boards are to be held responsible for performance, as is increasingly the case then they need to shape the organisation's strategy: the mechanism through which boards add value as asserted by both Huse (2007) and Nicholson & Kiel (2007). Henri Fayol (1916/1949) was the first to formally recognise the functions of management. In the context of strategic management, the functions are typically better recognised as the establishment of direction (Bart & Baetz, 2001; Campbell & Yeung, 1991; Collins & Porras, 1994; David, 1989; Hamel & Prahalad, 1989, 1994; Pearce & David, 1987); scanning the environment (external and internal); establishing strategy; implementation; and, evaluation and control of the outcome (and process). The suggestion offered here is that in *all* boardrooms there is a simple division of labour, itself motivated by numerous forces, especially power (Kim,

Pinkley & Fragale, 2005), between the board and management for the conduct and completion of each of these functions.

Our observations of practice suggest that when boards place a high priority on business performance—and are aware of the dangers of interference—a distinct division of labour between the board and management with respect to strategy and, importantly, the other functions of the strategic management process is upheld. But, it would be naïve to suggest that this division of labour is either constant across boards or consistent within a company beyond the short term. The involvement of corporate boards in the strategic management process in New Zealand and Australia can be observed to follow Wheelen and Hunger's (2002), now seminal, rubric. Their range of board involvement in strategic management may also partly explain the variance reported in local empirical studies (e.g., Ingley & Van der Walt, 2001), which we think over-estimate boards' actual involvement in strategy.

A division of labour between boards and management (Lockhart, 2014), through which the various functions of the strategic management process (or framework) has been reported. However, no single model has yet emerged, or could rightfully be expected to emerge. At one extreme, boards have been observed to 'rubber stamp' proposals from management. At the other, they have been observed to be the catalyst (e.g., Lockhart & Taitoko, 2005) for the development of corporate strategy. Under such circumstances the CEO can be observed to take a 'near project-management' role for short periods of time.

The results from black box research (Edlin, 2007; Martyn, 2008; Peebles, 2010; Crow, 2012; Crow & Lockhart, 2013) support the apparent, but highly variable, division of labour. Actively engaged and committed boards are observed to be entirely focused on enhancing business performance—while not always achieving that outcome. For example, the Brierley Investments-dominated board of Air New Zealand conducted a high risk exit strategy from Ansett in the late 1990s. The result was the collapse of the subsidiary and near failure of the parent (Lockhart & Taitoko, 2005). This example should not be read as suggesting that boards are more inclined than management to contribute to failure. Rather, it is indicative of how involved boards can be in an organisation's strategy—good, bad and plain ugly.

Where the responsibility for performance is held by the organisation's board of directors, the division of labour concerning the strategic management process appears to be explicit (Lockhart, 2012). Such boards appear to take ownership of and responsibility for the strategic management process through a division of labour they allocate responsibilities to management for various functions—or parts of those functions—as and when required. The concept of the division of labour overcomes Tricker's (1993) reflection that

"organisations [were observed to have] peaked at the CEO" (p. 1). Considering the roles and responsibilities of governance and management—what it is that boards actually do; how they do it; and, why—in terms of a division of labour, provides a means through which numerous grounded contributions can now be explored in a far more orderly manner. Of interest to this discussion is how and why *power* may be applied to allocate the division of labour between the board and management, and the underlying organisational politics beneath the tension that can emerge when grappling for power becomes more important than performance outcomes.

Notwithstanding the passivity of boards explored here, the findings that emerge from our observations start to move the understanding of board activity and contributions beyond the conceptualisation of corporate governance as being a structure (Adams et al., 2010); a repeatable process (Finkelstein & Mooney, 2003); or, a policy framework (Carver, 2010b)—or some combination thereof—to what is a well-established and straightforward mechanism (Crow, 2016) through which a division of labour is maintained, tasks are performed and resources appropriately allocated. That is not to say the contemporary conceptualisations are wrong or inappropriate—rather this paper extends earlier understandings by suggesting that a re-description of corporate governance, as a performance enhancing mechanism in the absence of owners activated by boards when in session (i.e., in board meetings) may actually be more appropriate.

Towards a new understanding

Despite the considerable effort being made by the governance research community, precious little influence appears to have spilled over the academic practitioner divide. The research community's effort to identify structural contributions from boards to business performance have been mixed at best. Structure does not appear to matter. Meanwhile, the practitioner community is actively embracing a new round of structural recommendations: the gender mix and ethnic diversity of boards. It appears that diversity (providing directors are not white males) has become the latest remedy and is increasingly being attributed to improved performance. That diversity of thought prior to decision-making and a commitment to collective agreement afterwards may be a cerebral competence (let alone a statutory requirement)—as opposed to one of sex, skin colour and age—is at risk of being ignored. We observe that too often diversity does not result in alignment and maturity, fostering instead dysfunction, the pursuit of firm performance becoming a secondary consideration.

The second contribution of governance research that should be influencing the governance performance discussion is the supposed agency problem. Three decades on and much governance research is still conducted from the perspective of agency. Yet we would argue that if there is an agency problem then there is actually a CEO problem: the board's responsibility is to solve it. If a board lacks the courage to resolve the problem, by removing the CEO, then the board itself is the problem. On reflection, Adam Smith could be right. However, what he didn't anticipate that the board may have been the problem all along—the great distraction over structural remedies 'probably' didn't help.

We remain unconvinced that corporate governance is necessarily complicated or complex. And, we attribute much of the fascination by academics to its unobserved state—as evidenced elsewhere the mechanism has only rarely been observed and even less frequently (say only five or six times at best) has it been observed by way of longitudinal study. Couple that with the proclivity towards theoretical perspectives favouring wealth distribution and redistribution (e.g., agency, stewardship, resource dependency) and shareholder primacy emerges as something no longer to be embraced.

Conclusion

We conclude that while the work of the board is socially dynamic and outcomes are not guaranteed, the concept of corporate governance *per se* is neither complex nor is it complicated. It has been made complex firstly, by largely ill-informed research and secondly, populist agendas. We expect that these problems will get worse before they get better: the recent return to a focus on structure, whether that be representation, independence, women, or other emerging manifestations of diversity distract from the discussion of the role of the board. Sadly, the research community is complicit in its silence. Instead of being agnostic until such time as empirical evidence emerges in support – if it ever will - faculty are openly endorsing the agenda, rarely having entered the boardroom. It should come as no surprise then to find shareholder primacy under attack; pluralistic responsibilities being expected of business; and, the doctrine of *ultra vires* to which shareholders subscribe relegated to the past.

The practitioner community too appears at risk. Business performance is not at the centre of governance best practice statements; it is seldom mentioned in definitions of governance; and, has been curiously absent from discussions on roles and responsibilities. We look forward to business performance becoming the new focus of attention. The knowledge gap between what boards do and business performance requires a return to its roots: A rich, contextually-relevant understanding of corporate governance needs to emerge.

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