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Understanding corporate governance: Illuminating an important methodological issue

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Abstract

The roles of the board of directors, their activities and behaviours, and contributions to business performance first emerged as fields of interest to scholars and practitioners several decades ago. Thousands of research papers, articles and books have been published in the ensuing years as scholars have sought to answer Cadbury's most difficult question: explaining the relationship between boards and subsequent business performance. A research question that is often pursued but very rarely resolved with defensible rigour.

Most of the board and corporate governance research published to date has been founded on positivist ideals; searches for regularities between dependent and independent variables of interest using quantitative data collected from outside the boardroom. A comparatively small body of literature has also been produced using interpretative research designs, revealing different insights including rich descriptions and contextualised understandings. While these latter studies have succeeded in getting closer to the subject of research—the board in action—most have been limited to interviews with directors and supernumeraries outside of the boardroom.

The aim of this paper is to explore the efficacy of direct board observation as a means of conducting more effective board research. Direct observational studies published to date include singular and multiple observation designs, and occasional deliberate longitudinal designs. The paper concludes that the direct observation of boards in session (especially longitudinal observations of interactions within the boardroom) is necessary for research that seeks to discover how boards actually work; to identify the conditions and contingent factors that affect how boards make decisions; and, to develop explanations of how boards might influence subsequent performance outcomes.

Introduction

Boards of directors have been the subject of scholarly research for several decades. Many insights, models, theories and recommendations for practice have been produced. However, most of these contributions have been informed by data collected from outside the boardroom: at best only representations (Stablein, 2006) of boardroom activity. That no consistent understanding of how boards actually work has emerged to date suggests that less may be known about the mechanism of corporate governance (Crow, 2016) and any board–business performance relationship than what has been purported. Indeed, what seems to be may not actually be so (Wittgenstein, 1969).

The commentary offered in this paper explores the methodological approaches used for board research, drawing on both empirical and conceptual evidences, the former from literature and our observations through research and practice, the latter from the literature and our own two decades of dialectic enquiry. A recommendation for more effective board research is suggested.

Corporate governance: a cursory overview

Corporate governance is a term that is "widely used but rarely defined" (Larcker & Tayan, 2013, p. 9). Many different definitions have been suggested, more so as knowledge about boards, management and board–management interactions has expanded over time (Epstein & Roy, 2004). No single definition has been universally accepted in the academic literature (Aguilera & Jackson, 2010) or in practice (Arcus, 2012)—acknowledgment perhaps of the complexity of the operating context within which boards operate (the company and business ecosystem), and the socially-dynamic nature of boards themselves.

The first explicit usage of the term 'corporate governance' in the academic literature was that by Eells (1960). His reference to the "structure and functioning of the corporate polity" (p. 108)—the corporate polity being the board of directors, the group within the company ultimately responsible for firm performance (Cadbury, 1992)—was used to describe the role and activity of the board of directors within a wider context; the company and society.

Despite Eells' (1960) seemingly lucid definition, the term 'corporate governance' was not explicitly used again in either the academic or practitioner literature for nearly two decades. Estes (1977) and Jones (1977) used the term next, when they (separately) explored structural aspects of boards. Not long thereafter, Williamson (1979) also used the term (although in the context of transaction-cost economics) to describe "a framework within which the integrity of a transaction is decided" (p. 235).

Curiously, neither of the terms 'governance' nor 'corporate governance' were used by either Jensen and Meckling (1976) or Fama (1980). Ironically, these articles are now considered to be foundational to scholarly knowledge—seminal contributions in the board and corporate governance literature. In contrast, Eells (1960) is only rarely mentioned. Regardless, both Jensen and Meckling's and Fama's articles were demonstrably significant: they heralded the emergence of a new discourse. Not long after they were published, other scholars—perhaps most notably Tricker (1984)—began to write about the board–management interaction in earnest, and to use the term ‘corporate governance’.

The emphasis of most early descriptions of ‘corporate governance’ was, by and large, centred on the monitoring and control aspects of the exchange between the board and managers, or shareholders and the board, notably 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). Similarly, Baysinger and Butler (1985), noted that boards “serve to resolve conflicts of interest among decision-makers and residual risk bearers” (p. 101), indicating a mediation responsibility to resolve differences between managers and shareholders.

In time, more expansive descriptions were proposed. Shleifer and Vishny (1997), for example, suggested that corporate governance extended beyond the board’s relationship with shareholders and managers:

> Corporate governance is a 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 locus of this definition is the stakeholder community exercising control. Shleifer and Vishny conceived corporate governance as a lever to be exercised by ‘various stakeholders’—a broader system or process to exert control over a corporation (i.e., boards and managers) within a legal and regulatory framework. No reference is made to the purpose of the corporation, firm performance or the shareholder as being the residual claimant; even the board is not explicitly mentioned. This implies that the board is, at best, simply one of the ‘various stakeholders’—and that all stakeholders possessed similar rights and or abilities. John Senbet’s (1998) latter 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 further support for Shleifer and Vishny’s (1997) proposal.

Both these proposals had the effect of shifting the understanding of corporate governance from one of describing the role and function of the board (as Eells (1960) had originally conceived), to one of identifying a much broader group of stakeholders as supernumeraries and the means by which they act to protect their interests (i.e., exercise a control function). Subsequently, Charreaux’s (2008) search for a ‘lost link’ between the characteristics of leaders and firm performance extended the definition even further. His use of the phrase ‘system of governance’ explicitly encapsulated statutes, regulations, codes of practice, ethics, companies, shareholders and markets. In so doing, Charreaux sought to redefine governance to encapsulate the entire business ecosystem. This had the effect of subordinating the board of directors to the role of an actor (amongst others) within a larger system [of governance].

The consequential effect of these proposals was a new understanding of corporate governance: a control-based structure, process or system (or a combination thereof) that extended well beyond the boardroom, and through which problems of agency that supposedly emerge with the separation of ownership and control (agency) in large (typically publicly-listed) companies are mediated and resolved (Baysinger & Butler, 1985). The primary emphasis, of monitoring and controlling both the board and management should not be surprising given the dominance of agency theory (Aherns & Khalifa, 2013) as a theoretical representation of shareholder–board–management interaction in publicly-listed companies, especially in the Anglosphere, from where most of the early board and governance research subsequently emerged. Whereas Eells (1960) had, we believe quite correctly, conceived the board as the ultimate decision-making authority in companies (and coined 'corporate governance' to describe the functioning of the board). The latter proposals both subordinate the board and extend corporate governance to something that is a business system phenomena. To suggest that all stakeholders (whomever these may be) partake in corporate governance (whatever this may be) by exerting control over the corporation, results in something quite different from that proposed by Eells just thirty years earlier. A definitional development that, while replete with constructs and a proposition, is neither parsimonious nor predictive.

The turn of the twenty-first century saw the emergences of new avenues of thought, especially as scholars refocussed their attention on the board and its involvement in value creation in companies (Huse, 2007, 2009b; Pitelis, 2004). Huse summarised the central role and motivation of the board as being "the interactions between various internal and external actors and the board members in directing the firm *for value creation*" (p. 15, italics added). The underlying assumption was that such involvement might be expeditious to the achievement of firm performance goals and shareholder wishes (Daily, Dalton, & Cannella, 2003). Therefore, the board, as opposed to stakeholders resumed responsibility for the nexus of decision making.

The oft-cited (Ahmad & Gonnard, 2007) Organisation for Economic Co-operation and Development definition (2004) frames the emergent understanding, conceptualising corporate governance as a set of relationships between several parties (of which the board is one)—in essence defining corporate governance as a 'structure' through which various activities occur. The pursuit of objectives is mentioned, and a mechanism through which company objectives are agreed, and the means by which they are attained and monitored, is implied. The nexus for decision-making was retained in this definition.

Another influential contributor was Carver (2010a). Seemingly dissatisfied with the emergent descriptions, he proposed a rules-based concept of governance ('policy governance'). The proposal, first developed for the not-for-profit sector, emerged from a belief that a single, holistic framework could be used to describe the activities and decision-making practices of boards in all types of entities and situations, including companies. This bold suggestion, essentially of a grand theory of corporate governance, has failed to achieve widespread support.

While an expanded role in value creation was suggested in this literature, the primary emphases of earlier descriptions, namely, of monitoring and control, were not ceded (Davis, 2005). The dominant logic remained one of process, policy and rule, primarily by shareholders and external stakeholders.

The preceding discussion demonstrates that several conceptual understandings of corporate governance have been proposed since Eells' (1960) original contribution. Corporate governance has been conceptualised variously in structural, process and policy framework terms at different times (see Figure 1 below). It has also been used to describe an all-encompassing ecosystem that extends well beyond the company. Despite these variations, and regardless of how 'corporate governance' is conceived, common ground exists: the board of directors provides an important link between managers and [theoretically absent] shareholders (Berle & Means, 1932), placing it at the "epicentre of strategic decision-making and accountability" (Hemphill & Laurence, 2014, p. 197).

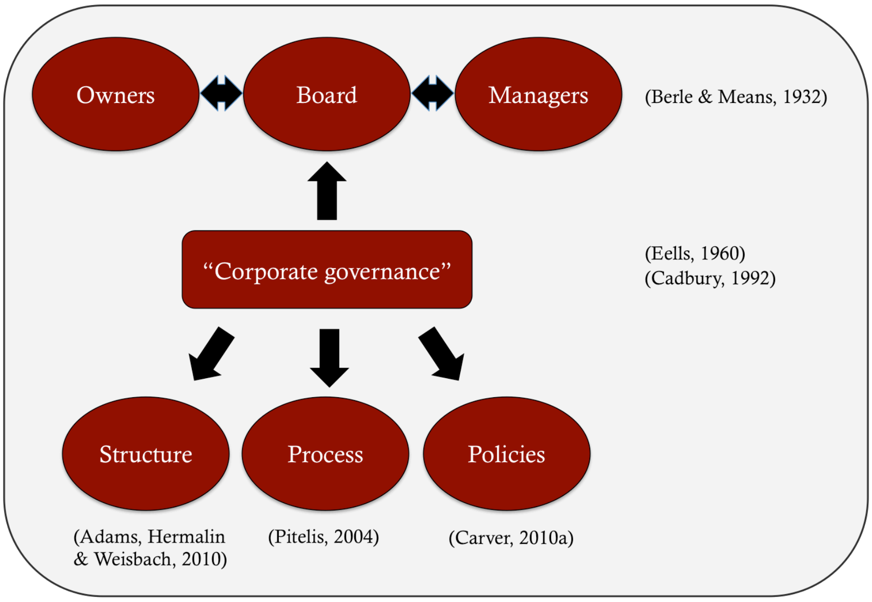

Figure 1: Illustrating the multiple conceptual understandings of corporate governance

Amongst the discordant contributions and recommendations, a framework initially adumbrated by Hilmer (1993) and subsequently refined by Garratt (1996) and Tricker (2012a) sought to draw scholarly attention back to Eells' (1960) conception: the board and the activities of boards. Tricker's refinement of Hilmer's two-by-two matrix structure demonstrated that board activities have both conformance and performance; and, internal and external dimensions. The inclusion of a fifth cell recognised that boards do not control the operation of the company directly—that role being delegated to the chief executive officer (Mintzberg, 1983). The framework valuably extended Eells' contribution by describing the core functions of the corporate polity (the board).

To date, no single definition or stable understanding of corporate governance has prevailed for any length of time, despite the seemingly adequate definition first proposed by Eells (1960) and, subsequently, the widespread citation (Durisin & Puzone, 2009) of definitions provided by both Cadbury (1992) and the OECD (2004). Similarly, multiple theories of shareholder–board–management interaction and corporate governance have been advanced (Letza, Sun, & Kirkbride, 2004). None of these theories has gained universal acceptance either (Nicholson & Kiel, 2007).

Hence the difficulties scholars and practicing company directors face to this day: what is corporate governance, and, for the purposes of this paper, how should researchers best go about researching it?

The pursuit of reliable knowledge of corporate governance

Researchers have embraced multiple approaches to governance research in pursuit of reliable knowledge. Many different aspects of boards, directors, corporate governance and related topics have now been studied resulting in a large body of literature (Tricker, 2012b). However, agreement on the optimal approach to board research, let alone the appropriate role, form and function of the board is yet to emerge. This in and itself could result from lack of agreement over what corporate governance is (and where should researchers look to understand it), or the supposed academic purity offered by specific research techniques.

Most of the studies published to date have been informed by the statistical analysis of quantitative data collected from outside the boardrooms of [typically] publicly-listed companies, in search of linkages with firm performance. The research has been motivated by positivist ideals, the isolation of observable board attributes and subsequent search for regularities between dependent and independent variables of interest and, ultimately, the pursuit of formulaic descriptions of the board–performance relationship (McCahery & Vermeulen, 2014). Board attributes studied include, but are not limited to, structure (Cowling, 2003; Gabrielsson & Huse, 2004); size (Coles, Daniel, & Naveen, 2008); chief executive duality (Dalton & Kesner, 1987); composition (Ahmed, Hossain, & Adams, 2006; Nicholson & Kiel, 2007); various forms of diversity (Ferreira, 2015; Kumar & Zattoni, 2016; Terjesen, Aguilera, & Lorenz, 2015); non-executive directors (Cadbury, 1992); behaviour (Larcker & Tayan, 2011); and, power (Peebles, 2010).

While correlations have been reported, the very design of these studies has resulted in important social factors either being controlled for or ignored. Yet the very [social] nature of the subject of research, the board in session, demands that such factors including, *inter alia*, the nature of board activity, director behaviours and interactions between directors during board meetings, and influential factors that occur both inside and outside the boardroom cannot be ignored or controlled for. Curiously, many researchers continue to search for structural and composition dependencies to this day. Also, the practitioner community has at various times both promoted and embraced a multitude of predictive claims, despite Levy's (1981) concession that structural reforms provide "no guarantee of good governance" (p. 166).

The paucity of consistent results (Adams, Hermalin, & Weisbach, 2010) from these cross-sectional studies is stark. Seven comprehensive reviews of the literature conducted over the last two decades (Dalton, Daily, Ellstrand, & Johnson, 1998; Finegold, Benson, & Hecht, 2007; Hermalin & Weisbach, 2003; Johnson, Ellstrand, & Daily, 1996; Lawal, 2012; Petrovic, 2008; Pugliese et al., 2009) identified no consistency between any particular board structure or composition variable(s) and firm performance. That any given board structure or composition may lead to different outcomes in different companies, or to different outcomes in the same company at different times or in different circumstances suggests that the structure or composition of the board is probably not directly correlated (much less causal) to subsequent performance at all.

Consequently, it is reasonable to conclude that studies that search for a single immutable truth about boards (Dian, 2014), a one-size-fits-all theory of board–management interaction (Boone, Field, Karpoff, & Raheja, 2007; Davies & Schlitzer, 2008), an optimal board structure (Adams et al., 2010) or, even, a universal market-based (Pitelis & Clarke, 2004) or policy-based (Carver, 2010b) system of governance (Charreaux, 2008) are, most probably, futile. The logical conclusion is that research designs that frame board activity (i.e., corporate governance) in terms of a crude input–output model (of board attributes and firm performance variables), and dogmatically use reductionist and development-by-accumulation approaches (Kuhn, 1970) in search of knowledge are most likely to be inappropriate. Support for this observation is provided by Adams et al. (2010), who asserted that the question of whether boards play a role "cannot be answered econometrically as there is no variation in the explanatory variable" (p. 59). In a recent meta-analysis of the Australian literature, Al-Zoubi (2015) added that "little, if any, evidence of an association between board demography and performance" (p. 26) has been established.

However, a relatively small but growing number of researchers have recognised that board–management interactions are dynamic and, therefore, both complex and idiosyncratic. Studies emerging from this cohort have utilised intensive data collection techniques including interview and survey instruments to get much closer to the subject of interest. Interpretative approaches to analysis have been applied. Examples of study topics within this body of literature include, *inter alia*, descriptions of board activity (Schwartz-Ziv & Weisbach, 2013); board role (Ong & Wan, 2008) and task performance (Machold & Farquhar, 2013); the board's involvement in strategic management (Zahra & Schulte, 1992); behavioural dynamics (Samra-Fredericks, 2000a); board–shareholder tensions (Lockhart & Taitoko, 2005); and, board effectiveness (Babic, Nikolic, & Eric, 2011) in search of understanding of what it is that boards actually do. Director behaviour and board dynamic factors including effective chairmanship (Zhang, 2010), collaboration (Mowbray & Ingley, 2013), trust (Smith, 2010), objective debate (Levrau & Van den Berghe, 2007), teamwork (Ruigrok, Peck, & Keller, 2006), cognitive ability (Chou, Lin, & Chou, 2012; Wirtz, 2011), tacit knowledge (Guzak & Rasheed, 2014) and competence (Leblanc & Gillies, 2005) have also been studied with researchers concluding that each of these factors are beneficial to effective board contributions.

If one or more relationships between the board and firm performance exists (i.e., actions or decisions made by the board can be associated with changes in subsequent firm performance), they are more likely to be contingent on social and contextual factors (probably many, each with contingent and variable effect) than any static structural attribute of the board. Larcker and Tayan (2011) concluded as much, arguing that the board's role in organisational value creation (Finkelstein & Mooney, 2003) is unlikely to be directly dependent on the board's structure or composition at all. Recently, Crow (2016) added that the harmonious activation of five underlying factors, namely, strategic competence, active engagement, sense of purpose, collective efficacy and constructive control is important when the board is seeking to exert influence from the boardroom.

Given this, research attention needs to shift toward the holistic consideration of board activities (including, for example, what boards actually do when they meet; board involvement in strategic management; how directors interact including with management; the engagement level of individual directors; the action or inaction of management; market forces; and, how performance goals are pursued) and the wider context within which boards operate—the company and the commercial marketplace—if further insights are to be gained about the purported relationship between boards and business performance that supposedly emerges as a result of the board in session. Progress has been made in recent years, however the overriding challenge of describing both what boards actually do when they meet and the impact of their actions remains a significant barrier to sufficiency of knowledge.

As with the studies of observable board attributes, most of the board activity and director behaviour studies have been informed by data collected from sources outside the boardroom, namely, interviews, surveys, questionnaires and, sometimes, the inspection of board minutes and other documents. Further progress is probably dependent on prising the 'black box' of the boardroom open (Leblanc & Schwartz, 2007), to observe directly what boards actually do when they meet in the boardroom.

Calls to enter the boardroom reinforce Leblanc's (2004) early assertion that "the only possible way to know whether boards operate well is to observe them in action, to see and understand the processes by which they reach decisions" (p. 440). Hendry and Kiel (2004) suggested that "longitudinal studies could be considered to explore how and under what conditions boards change their balance between strategic and financial controls and what impact this has on firm performance" (p. 515). Direct observations of boards in action should also enable the methodological shortcomings of input–output studies (Bhagat, Bolton, & Romano, 2008) including the assumption of congruence within the black box (Lawrence, 1997) and concerns over the correctness and reliability of data collected from outside the boardroom (Stablein, 2006) to be addressed. More recently, Wirtz (2011) added that in-depth longitudinal field studies would be helpful to capture the dynamic interactions, and that comparative studies would be "particularly relevant" (p. 446) when studying entrepreneurial firms. Together, these comments ought to remind scholars that the pursuit of firm performance is an important priority of company boards, and that both chronology and discovery of the actual operating context is relevant to effective board research.

Observational studies of boards

The importance of gaining access to observe the subjects of social research directly was highlighted in the organisational and business research literature decades ago (Gummesson, 1991). Gummesson later re-asserted that "traditional research methods used in business research do not provide satisfactory *access"* (2000, p. 14, emphasis original), and again that the gaining of access is crucial to enable the researcher to get as close to reality as possible (2007). Despite the importance of access to "opening up the black box" (Johanson, 2008, p. 345) to both obviate assumptions of congruence that have beset board and governance research and to identify what actually goes on in boardrooms having been acknowledged (Huse, 2009a; Leblanc & Schwartz, 2007; Lockhart, 2010), relatively few business researchers including board researchers have heeded these calls. This, despite Heracleous' (2001) observation that behavioural observation was needed (in addition to in-depth interviewing), and that "a healthy dose of scepticism is in order" (p. 171)—recognition of the complexities inherent in the conduct of social research; the value of observation data alongside data collected from interviews or other sources; the need to adopt a critical perspective; and, by implication, that various biases need to be managed.

The small number of researchers who have been able to secure access to observe board meetings and/or board committee meetings directly have gained further insight into board tasks and the performance and effectiveness of boards. Aspects of director behaviour and board activity that have been studied within this literature include director cognition, emotion and behavioural dynamics (Brundin & Nordqvist, 2008); board tasks (Machold & Farquhar, 2013) and task performance (Zhang, 2010); decision-making style (Bailey & Peck, 2013); governance processes (Parker, 2007); and, interactive routines (Samra-Fredericks, 2000b) amongst others.

'Thick' descriptions (Strauss, 1987) and conceptual models have been produced, an underlying motivation of which has been the creation of "a holistic picture of what boards do" (Machold & Farquhar, 2013, p. 162). Much of this literature has been exploratory and descriptive in nature, often using case study designs (Yin, 2009) based on single (Crow, 2012; Edlin, 2007; Martyn, 2006) or multiple (Currall, Hammer, Baggett, & Doniger, 1999; Leblanc, 2003) incursions into the boardroom to observe boards directly. The board's contributions to, or influence on, firm performance and value creation have received less attention (Aguilera, Florackis, & Kim, 2016). However, a handful of studies have intentionally utilised a longitudinal design (Crow, 2016; Machold & Farquhar, 2013; Parker, 2007) in an attempt to observe change over time and posit explanations, a precursor to much needed theory development. That the board may be able to influence firm performance (in some form and to some extent) from within the boardroom if it actively engages in the tasks of strategic management (Tricker, 1984) together with management (Crow & Lockhart, 2016) is yet to be definitively determined, although progress is being made (Crow, 2016).

Martyn (2006), Edlin (2007) and Staite (2015) provide examples of single incursion observation studies. These studies produced knowledge of boardroom activity; board tasks; director behaviours; and, decision-making processes, knowledge that may otherwise have remained hidden had access to observe the board in session not been granted (Leblanc & Gillies, 2005). However, the extent to which board activities and behaviours are modified is very difficult if not impossible to tell if the research is limited to a single incursion, as each of these researchers noted their studies. Multiple incursion and longitudinal designs, and complete-observer typologies offer a means of mitigating these effects, as directors are expected to revert to authentic behaviours and interactions over time (Maitlis, 2004).

Leblanc's (2003) study is an early example of a multiple incursion. The purpose of this study was to identify the characteristics of an effective board. It was based on the analysis of observation and interview data collected from 39 Canadian organisations over a five-year period. Data collection included interviews with the chief executive and/or some of the directors of 18 of the companies; single incursions to observe either one board meeting or one committee meeting, and interview some directors (13 companies); and, multiple incursions to observe either two or three board meetings or committee meetings, and interview some directors (eight companies). The sole sources of data were observed board meetings and interviews. No audio or video recording was made; nor were board reports and minutes inspected, or any other confidential or commercial data collected. Consequently, the analysis was dependent to a large extent on the accuracy and completeness of the notes made by Leblanc at the time of the observation and the interviews, and his recollection of events afterwards. Notwithstanding this limitation, ten director types were identified through the analysis of observation and interview data, five of which were described as functional and five were described as dysfunctional. While the recommendations that emerged from this study provide guidance for both subsequent research and practice (including recommendations for 'effective' board practice, although no definition of 'effective' was provided), the study was silent on any longitudinally relevant analysis.

Parker's (2007) research utilised a complete member participant-observation design[3] to study the internal processes utilised by the boards of two not-for-profit agencies over a two-year period. Data included visual observations, all of the documentation available to board members (the researcher being a board member) and notes made both during and immediately after each board meeting. The findings that emerged from the analysis included detailed descriptions of boardroom processes and practices, the chief executive-chairman relationship, director selection and performance management. The boardroom 'culture' and the 'mood' of meetings were also described. Board members were observed to oscillate between passive and active modes of engagement in boardroom processes and practices. Parker (2007) concluded that the observed not-for-profit boards were increasingly moving "towards a private-sector business orientation and structuring, while at the same time retaining some features particularly identifiable with the non-profit sector" (p. 932). In spite of not-for-profit entities and profit-seeking companies having both quite separate motivations and underlying legal foundations Parker's findings suggest that the governance practices of profit-seeking companies may be increasingly influential across other sectors.

Machold and Farquhar's (2013) field study of six British boards was the first genuinely longitudinal study seeking to understand change over time. Between three and eight board meetings were observed per organisation, in an attempt to advance the understanding of board task performance (i.e., the board's ability to perform control and service tasks effectively). This rich longitudinal data set enabled the researchers to gain a deep understanding of the tasks performed by the boards of the four not-for-profit entities and two profit seeking companies that participated in the study. Patterns of board tasks were examined, notably the board's performance of monitoring and control, service and strategy. Consistent with the complex socially dynamic nature of board activity, task

[3] The researcher was a full board member of both participant organisations.

performance was found to be both non-homogenous and non-linear, and task patterns were observed to evolve over time.

Crow's (2016) longitudinal multiple-case study provided further insights of corporate governance. He observed the boards of two large high-growth companies in New Zealand over a twelve-month period to understand how the board's involvement in strategic management might influence subsequent business performance. Data collected from within the boardroom (by way of audio recordings, observation notes, board papers and minutes) were supplemented by semi-structured interviews, several years of confidential company information (including board reports and minutes) and published information, in an attempt to associate board decisions and actions with subsequent changes in firm performance. The analysis revealed insights resulting in two models—a collaborative form of board–management interaction, and a mechanism-based model of the governance–performance relationship. The study also revealed anomalies between data collected from primary and secondary sources, notably discrepancies between claims made during semi-structured interviews and actual interactions observed and recorded during board meetings. The omission by the interviewee (whether intentional or not) of important interactions that were material to the flow and timing of decision sequences and board interactions (from the minutes of meetings) highlights the challenge researchers face when research is limited to data collected from outside the boardroom.

The studies completed by Machold and Farquhar (2013) and (Crow, 2016), in particular, provide much-needed longitudinal evidence from within the boardroom, highlighting the complex and idiosyncratic nature of what boards actually do, and how the contributions of boards change over time. Together with Currall *et al.* (1999)[4], Michaud (2014) and the few other longitudinal observational studies that have been reported, these two studies demonstrate the value of boardroom observation as a primary source of data.

Dialectic elaboration

A fundamental assumption of reductivist research is that if the constituent parts of a phenomenon can be isolated, studied and explained, then the whole phenomenon can itself (eventually) be explained. If this assumption were valid, the sum of the individual board attribute and firm performance correlations and descriptions produced to date ought to have provided an adequate description of boards and corporate governance, leading to a satisfactory theoretical explanation of the phenomenon. Sadly, 'answers' have remained elusive despite a plethora of studies, including case studies, suggesting perhaps that this might not be the case.

[4] Currall *et al.* (1999) utilised a participant-observation design. How the participant-observer was able to both participate fully as a director and write a comprehensive and accurate stenographic record ("a running verbatim account of who said what to whom about which topic" (p. 12)) was not disclosed.

The pursuit of a more holistic understanding of what directors and boards actually do when in session and how they work seems to be crucial if "the most difficult question" (Cadbury, 1992, p. 96) of whether and if so how boards influence company performance is to be, finally, answered. While survey and interview data and interpretative techniques have enabled researchers to get closer to the phenomenon of interest than research limited to the use of publicly-available data to analyse observable attributes of boards from a distance, research designs that collect data from direct observations *in addition to* data collected from more conventional sources (including interviews, surveys and publicly-available data sets) can expedite a more accurate and complete understanding, in this case of how boards actually work.

Consequently, researchers intent on discovering how directors interact and what boards actually do when in session should strive to gain access to observe board meetings directly—ideally silently and persistently—as an additional source of data. The analyses reported in longitudinal observation studies highlight the additional insights to be gained when direct observation is used as a source of data. Observational studies also enable actual behaviours and competencies of both individual directors and to be analysed, leading to richer and more nuanced descriptions to be reported. The use of a realist-inspired longitudinal multiple-case study design (Crow, 2016), in particular, provides researchers with a legitimate means of producing reliable and contextually relevant knowledge.

The use of a synthetic timeline framework (to synthesise and assemble seemingly disparate data from multiple sources), and an iterative process of collation and synthesis (to gain increasingly deep levels of understanding of board activity including decision sequences, board involvement in strategic management, behaviours, interactions and group dynamics, anomalies between data from different sources[5] and other relationships of interest) seems to provide a credible alternative to the more common reductivist approaches favoured by many board researchers.

Conclusion

The purpose of this paper has been to comment on the value of the different approaches to board and governance research. While board and governance researchers have studied many aspects of boards and board activity, and many outputs have been reported, reliable knowledge of how boards actually work and board influence on business performance is far less common. Most of the results and findings reported to date have included correlations, detailed descriptions, models, hypotheses, theories and meta-theories; almost all of which have been informed by data collected almost exclusively outside the boardroom, apart from the place where the actual phenomenon of interest—corporate governance—is understood to occur.

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[5] Such anomalies include significant differences between the activities and behaviours reported by directors during semi-structured interviews, and actual activities and behaviours observed first-hand.

The publication of direct observation studies highlights the challenge faced by governance research community. Research informed by data collected outside the boardroom leaves researchers reliant on the recall and goodwill of governance actors present in the boardroom (essentially, directors) when interviewed. The prospect of anomalous, erroneous and incomplete representations of actual board activity and director interaction and behaviour remains, despite the well-intentioned responses of directors when interviewed.

We conclude that a structured, realist approach (Easton, 2010) informed by data collected over an extended period (ideally, from multiple sources including direct observations of boards in session and from other sources outside the boardroom to both validate actual interactions and mitigate inherent observation biases) provides a legitimate means of studying boards in search of a more holistic understanding of what they actually do when in session and how they work. Such a design seems to provide a credible alternative to overcome the methodological challenges and limitations of extant research; a useful pathway towards new knowledge including, potentially, answers to Cadbury's most difficult question.

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