

The Contribution of Boards to Company Performance via Strategic Management

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Abstract : Boards and directors have been subjects of much scholarly research and public interest over several decades, more so since the succession of high profile company failures of the early 2000s. An array of research outputs including information, correlations, descriptions, models, hypotheses and theories have been reported. While some of this research has shed light on aspects of the board-performance relationship and on board tasks and behaviours, the nature and characteristics of the supposed board-performance relationship remain undetermined. That satisfactory explanations of how boards influence company performance have yet to emerge is a significant blind spot. Yet the board is ultimately responsible for company performance, in accordance with the wishes of shareholders. The aim of this paper is to explore corporate governance and board practice through the lens of strategic management, and to take tentative steps towards a new conception of corporate governance. The findings of a recent longitudinal multiple-case study designed to explore the board's involvement in strategic management are reported. Qualitative and quantitative data was collected from two quasi-public large companies in New Zealand including from first-hand observations of boards in session, semi-structured interviews with chief executives and chairmen and the inspection of company and board documentation. A synthetic timeline framework was used to collate the financial, board structure, board activity and decision-making data, in order to provide a holistic perspective. Decision sequences were identified, and realist techniques of abduction and retroduction were iteratively applied to analyse the multi-year data set. Using several models previously proposed in the literature as a guide, conjectures were formed, tested and refined—the culmination of which was a provisional model of how boards can influence performance via strategic management. The model builds on both existing theoretical perspectives and theoretical models proposed in the corporate governance and strategic management literature. This paper seeks to add to the understanding of how boards can make meaningful contributions to value creation via strategic management, and to comment on the qualities of directors, social interactions in boardrooms and other circumstances within which influence might be possible given the highly contingent relationship between board activity and business performance outcomes.

Keywords : board practice, case study, corporate governance, strategic management

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