# Board Member development:
# Board Member learning and attributes of experienced Board Members

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## Attestation of Authorship

I hereby declare that this submission is my own work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person (except where explicitly defined in the acknowledgements), nor material which to a substantial extent has been submitted for the award of any other degree or diploma of a university or other institution of higher learning.


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Nicola Deacon


## Ethics Approval

This research was approved by the Auckland University of Technology Ethics Committee on 3rd September 2008 - 08/142.

# Abstract

This research uses a grounded theory approach to explore the term 'experienced Board Member' with research into the learning experiences which bridge the gap between an inexperienced Board Member and an experienced Board Member. The purpose of this research is to identify repeatable/reportable patterns which could be utilised and developed to improve Board Member learning.

Data is derived from interviews with nine (current and past) New Zealand Board Members. A common set of attributes of an experienced Board Member emerged from the study. The linking theme of the attributes is that they support the process of reaching a quality agreement or decision.

The results of this study suggest that an experienced Board Member is perceived to be a Board Member who contributes to achieving a quality agreement and decision, using attributes associated with:

- Contribution to Board processes
- Understanding and Knowledge (governance and business acumen)
- Internal Drivers
- Making Hard Decisions

Formative Board Member learning is associated with developing self confidence, understanding what content is perceived to be (or not to be) relevant, understanding the Boardroom protocols and processes, and understanding the responsibility of the role.

The primary mechanism in Board Member learning is observation. Board Member learning was most often the development of tacit understanding through observing events internal to the Board. Learning events for Board Members are likely to arise as part of the dismissal/departure of the CEO or from internal Board dissension.

The results also indicate that current NZ Board Members are unlikely to have had any formal preparation for the Board Member role, and learning for the role is likely to be ad-hoc and vicarious.

This research suggests that the successful development of experienced Board Members will require a fundamental change in the perception and practice of Board Member development within organisations and at Board level. A Capability and Maturity Model is presented as a framework for assessing an organisation's capability and maturity in terms of the development of its Board Members.

This study builds on corporate governance theory by identifying attributes considered indicative of an experienced Board Member. This study adds to Learning Organisation and Knowledge theories by providing examples and comment on the place of Communities of Practice, and knowledge development within the development of Board Member experience.

# 1.0 Introduction

Experienced Board Members are in demand in New Zealand (and in other countries). There is also a call to raise the general standard of performance in Boardrooms around the world. Corporate failures like Enron and Worldcom have elevated this need in the eyes of the general public, regulators and shareholders alike. Those that make the call for better governance would prefer to appoint an already fully "experienced" Board Member in preference to someone as yet unproven. This preference is especially so with regard to the appointment of Board chairpersons. Leblanc (2005) suggests that Boards should recruit a Chair with all the required skills in place and similarly Tricker (1999) says that if Directorship is to become a profession then relevant experience at a determined level is required.

While there is considerable literature on the background and qualities a Board Member might be expected to possess, much of this is prescriptive. There is also a broad range of literature which attempts to correlate or predict qualities of Board Members against organisational performance. Performance is implicit in the application of learning. We care about experience because implicit in the term 'Experienced' is the expectation that the output level of performance will be greater or more reliable than someone less experienced. So there is an implicit assumption that identifying the core components of Board Member experience will provide some mechanism for building performance be it at individual Board Member level or at the collective Board level. Implicit again is that Board performance leads to organisational performance.

The research reported in this thesis explores the term 'experienced Board Member' and attempts to identify the core components which make up an experienced Board Member. Grounded theory is used in the design and analysis of this research. However governance theory, knowledge theory and organisational learning theory also underpin the research design.

The research questions asked are:

- What constitutes an 'experienced' Board Member?
- What have experienced Board Members learned?
- What have been the mechanisms in this learning?
- How is this experience conveyed to other Board Members?

## 1.1  What is Board Member Experience?

The Oxford Encyclopedic English Dictionary defines experience as:

> Experience (noun) – Actual observation and practical acquaintance with facts or events" and "knowledge or skill resulting from this" ("Oxford Encyclopedic English Dictionary," 1991)

According to Garatt (2007) at least three years as a director is needed before a director could be called experienced and that 'experience' is not just the number of years in a directorship role. Research by van der Walt and Ingley  (2001) found that twenty four percent of NZ directors rate experience and professional reputation as important in their selection of a new director. Technical skills and experience were measured but not included within this statistic.

Implicit in the description 'experienced Board Member' is the idea that there is a tangible (identifiable) difference between an inexperienced Board Member and an experienced Board Member. This implies that the idea/expectation that Board Member specific learning has accrued in some manner and that this accrual in learning can only happen as part of the Board Member role or from interactions as a Board Member

Board Member experience is likely to be knowledge of, skill in or observation of a thing or event gained through the involvement or exposure while in the role of Board Member. Board Member experience is likely to be know-how (procedural knowledge) rather than empirical knowledge.

## 1.2 Overview of Thesis

Grounded theory methodology plays an integral part in the design of research and also the development of the information gained during the research. An initial literature review led to the initial research questions and the initial design of the research. A further review of the literature was done as a result of the patterns and questions which emerged from data obtained from the interviews. The initial literature review discusses the governance environment and attempts to build a picture of the experience Board Members might be expected to gain while in their role and what might constitute the mechanisms of learning and knowledge development. The subsequent literature review brings in discussion on topics which emerged during data gathering and analysis.

The Methodology section is broken into two parts, methodology choice and structure, and methodology integration and influence on the research. The first part describes the research design for the study. The second part describes the influence of the methodological approach on the research in terms of assumptions, data gathering and interpretation of the results.

The results are discussed in terms of participant information, initial learning, mechanisms for learning, and perceived characteristics of an experienced Board Member. The results are a mixture of empirical, quantitative and interpreted qualitative outcomes. These are presented as tables and discussion.

Findings are presented and discussed and some conclusions are drawn. Implications and limitations are considered within both the discussion of findings and in the conclusion. From this discussion a Capability Maturity Model (CMM) is presented.

## 1.3  Definitions and discussion of terms

Many of the terms used in the literature lack clarity and certainty when discussing concepts which include experience, learning, knowledge, understanding, and skills. The concepts can be dependent on each other in their definitions, and the boundaries are often blurred. The 'person' in which they are described and the point of view which is assumed (i.e., mechanistic or social constructionist) also adds dimension to the interpretation. This section discusses and describes the interpretation of terms which are used in this thesis.

### 1.3.1  Definition of Board Member

The original title and focus of this research was centred on 'Directors'.  Not all Board Members are Directors and not all those who contribute directly to the Board environment are designated Board Members. e.g. Company Secretaries and Local Authority executives. Outside publically listed companies the difference between a Non-Executive Director (NED) and an Executive Director (ED) can be differently perceived. Where a Board Member is not a Director then is the role similar to a NED or an ED? There is also the situation where a Board Member of a community oriented Board may also be a volunteer in that organisation but not hold a managerial position. The participants themselves had very different interpretations on who might (or might not) have been considered a participant in this research. It was the observation of the researcher that the notion of a Director and a Board seemed to engender (pre-eminently) thoughts of private and public company Boards. NGO's (Non-Governmental Organisations) appeared as an afterthought as did school Boards. The scope of the research includes those who contributed (or had in the past contributed) at Board meetings but who may not have been a director of the organisation,

The classification of NEDs versus EDs in the participant descriptive information is the classification given by the participant when filling out the participant details form. This loosely correlates to whether the participant worked in the organisation with a position of managerial responsibility (Executive), or did not work in the organisation (Non-Executive), or worked in

the organisation but without any formal role with operational responsibility (Non-Executive).

### 1.3.2 Definition of Knowledge

"Knowledge acquisition involves complex cognitive processes: perception, learning, communication, association and reasoning. The term knowledge is also used to mean the confident understanding of a subject with the ability to use it for a specific purpose if appropriate" ("Oxford Encyclopedic English Dictionary," 1991).

For the purposes of this research Board Member Knowledge and Understanding is defined as:

Expertise, and skills acquired by a person through experience or education; the theoretical or practical understanding of a subject, including what is known in a particular field or in total; facts and information, conveyed through confident understanding with the ability to use it for a specific purpose if appropriate.

### 1.3.3 Definition of Learning

"Learning (in psychology) is a process which leads to the modification of behaviour or the acquisition of new abilities …" ("Oxford Encyclopedic English Dictionary," 1991).

Learning as used in this thesis is taken to be the process of knowledge development. Knowledge development may be the acquisition of new knowledge, alteration (change in perspective) on existing knowledge or deepening of existing knowledge.

### 1.3.4 Perception, Immediacy learning styles

The perception of experience is important. That which may be perceived to be a significant experience by one person may not register in the same way with another. Different priorities and values elevate the significance of an experience differently with different people. Experience in the first person (I/me) is perceived differently to that perceived in the second (you) or third person (you plural/them).

The degree of immediacy of the experience also reflects the volume of tacit versus explicit understanding attached to an event. Firsthand experience has

a greater degree of sense-perception and personal interpretation. Second hand experience has a greater component of observation and potentially summarised input from multiple perspectives. First and second hand experience also have the capability of iteration, and questioning. Third hand experience is generally an interpretation of something conveyed explicitly (e.g. the interpretation of something heard or of something written).

Thus the components of tacit knowledge are greater at the individual level and explicit concepts gain weight as knowledge moves from/between individuals to groups.

Perception is relevant to this study. Firsthand perception is used by the participants in describing their own learning experiences. Second hand perception (observation) is used in describing experience in others.

## 1.3.5 Community of Practice (CoP)

Brown and Duguid (1991) describe workplace learning as being best understood in terms of situating knowledge generation in the practices and communities in which knowledge takes on significance. The term Communities of Practise (CoP) was first used by Lave and Wenger (1991) and the concept has been extended and applied to centres of learning and organisational settings. Communities of Practice are also increasingly being seen as comprising social or knowledge capital within organisations.

At the start of the research the researcher recognised two potential CoPs, that of the Board and that of the Directorship 'profession' (the latter through social networks). Subsequently a third potential CoP was added, that of a focal Board Member and their bridged network between the focal Board and external organisations associated with the focal Board Member.

# 2.0  Literature Review

## 2.0.1 Introduction

A search of the literature produced no references to or empirical studies on actual learning experiences of New Zealand Board Members in their initial years as a Board Member. The governance literature in general is largely a prescriptive body of literature with no single view of what a director should do, what competencies a director should have, and the behaviours directors might be expected to exhibit. The theme of the literature is to present director competencies/skills as desirable and with a prescriptive view rather than being based on empirical research. Thus it stops short of specifying how skills and competencies could be developed.

The review was done in two stages. An initial literature review led to the initial research questions and the initial design of the research. A subsequent literature review included literature identified as a result of the patterns and questions which emerged from data obtained from the interviews.

This section starts with a review of the literature pertaining to the governance environment in general and then moves to discussing Board Member learning, potential mechanisms for Board Member learning, desired attributes of Board Members. Theoretical and empirical literature is considered within each topic area. The literature review attempts to paint a picture of some of the themes that might be expected to emerge from this research.

## 2.1 The Governance Environment

### 2.1.1 The Governance Environment

Massive corporate failure events during the last three decades have resulted in a stream of governance literature focussing on a perceived need for a better understanding of the directorship role. This focus is often on the performance of directors and on seeking ways to better provide certainty and assurance to shareholders. Governmental reactions to corporate failures, like the Cadbury Report (1992) and the Sarbanes Oxley Act (2002) , also seek to provide better certainty and assurance to shareholders. The view that performance is an essential dimension in the governance role is supported by writers like Tricker (1997a), organisations like The Chartered Institute of Management Accountants (CIMA, 2004), and management models like Balanced Scorecard, and The Baldridge National Quality Program (BNQP). In attempting to improve the certainty of performance, or identify factors of poor performance, studies have tended to focus at the Board level (rather than at the individual Board Member level) and fall into three main areas.

1) Those which use quantitative analysis of publically available company information, usually financial reports and Board structural composition, as in the many studies typified by Westphal  (Westphal, 1998, 1999; Westphal & Bednar, 2005; Westphal, Gulati, & Shortell, 1997; Westphal & Khanna, 2003; Westphal & Milton, 2000; Westphal, Seidel, & Stewart, 2001; Westphal & Stern, 2006; Westphal & Zajac, 1994, 1995, 1997, 1998, 2001; Zajac & Westphal, 1995, 1996).

2) Those which put forward models based on published standards and expectations like the Cadbury Report (1992), Sarbanes Oxley Act (2002) and published best practices like that of the New Zealand Institute of Directors (IODNZ), Blake (1999), Davies (1999), Orlikoff (1998) and Soo-Hoon Lee and Phan (2000). Soo-Hoon Lee and Phan (2000) also utilises the competency profiling methodology designed by Boyatzis (1982) and competencies identified by Dulewicz and

Herbert (1999) but neither the methodology or the competencies are based on empirical studies involving Board Members.

3) Those which might use a mixture of proposed models and attempt to validate these with the use of surveys or focus groups.

Outside these main areas some studies have considered relative power play and Board dynamics (for example: Westphal and Zajac (1994, 1995, 1996, 1997)) but have used publically available, quantitative, company information from Forbes/Fortune 500 (US listed) companies.

In this largely prescriptive body of literature there is no single view of what a director should do, what competencies a director should have, and the behaviours we might expect a director to exhibit. The theme of the literature is to present director competencies/skills as desirable and with a prescriptive view rather than being based on empirical research and thus stops short of specifying <u>how</u> skills and competencies could be developed.

## 2.1.2 No One Single View - Governance styles and structures

There is no one single 'best practice' or ideal structure, governance type or conformance:performance ratio. Dalton, Daily, Ellstrand, and Johnson (1998) assessed 85 empirical studies and found "little evidence of Board composition or leadership consistently leading to financial performance". Forbes' (1998) review of empirical studies of non-profit organisation effectiveness concluded that " there is no all encompassing theory of effectiveness" (pg185). However there does appear to be some correlation between the presence of non-executive directors (NEDs) and lower rates of fraud (Beasley, 1996).

Governance can be facilitated through one (or a combination of three) approaches to governance. These approaches are: Agency theory, Stewardship theory and Stakeholder theory. These theories describe the inter-relationship between the Board, organisation management, the owners (or shareholders) and the stakeholders (employees, customers, suppliers and community interests).

- Agency theory focuses on monitoring and controlling the involvement of management in the organisation in the interests of the owners. The agency relationship is where one party, the principal or Board, delegates work to another party, the agent or Executive (Eisenhardt, 1989). Agency theory is based on the board exhorting a control and auditing function over a management team which intrinsically can't be trusted due to elements of self interest.
- Stewardship theory – argues that management should be regarded as wanting to do a good job and be good stewards of corporate assets (Donaldson, 1990). This suggests a more mentoring/developmental approach to governance.
- Stakeholder theory - is based on balancing the needs of the Stakeholders in an organisation which usually includes customers, suppliers, staff and community interests and can be used to explain internal governance, particularly the balance between owners' and workers' interests (Donaldson, 1995).

The choice of approach to the Board's role will depend on many factors including history, the industry, the ownership type, and the emphasis on the type of performance outputs as described by Tricker (1997b, 1998, 2000). Different ownership type and structures in relation to governance cultures and performance requirements are discussed by Ingley and McCaffrey (2007) and different Governance structures are discussed by van der Walt, Ingley, and Diack (2002). Despite differences in structure, style or governance approach there is no mention of there being a requirement for different levels or types of experience to support these different structures, styles or governance approaches.

Garratt (2003) and Tricker (1997b) both describe how, historically, an Agency based approach has been the predominant form of governance. Legally defined fiduciary responsibilities have meant that the conformance aspects of the Board environment are clearly placed within the responsibility of the Board and in many cases like financial reporting, clearly defined.

Agency is a conformance/compliance approach to governance and is designed to provide accountability and monitor and supervise management. In the Agency model, performance elements like strategy and policy making, happen in the management layer and are approved and monitored by the Board.

In the Stewardship and Stakeholder models, responsibility for elements of performance can be less defined as directors are expected to have more involvement with the management layer and may work alongside senior management in some instances. The expectation that directors should be 'adding value' to an organisation is a relatively recent phenomenon and this has been attached to organisational performance expectations in general and strategy in particular.

## 2.1.3    Balancing conformance and performance

Within their role Directors also have to balance a range of expectations and none more disparate than balancing effectiveness, predictability and reliability (all associated with effective monitoring and control), with the constant need for the organisation to be competitively or innovatively different from potential competitors. Successful businesses are usually significantly different from their competitors in terms of products offered, revenue, market share, or market segmentation. To maintain success an organisation must maintain a degree of differentiation, usually through risk taking and strategy, through Schumpeterian patterns of innovation over the product/industry lifecycle (Abernathy & Utterback, 1978; Hamel, 2000; Malerba & Orsenigo, 1995; Mintzberg, 1978, 1987; Mintzberg, Ahlstrand, & Lampel, 2005) .

Fiduciary responsibilities relate, in the main, to actions of compliance and control. Actions of compliance and control rely on standards, democratisation, reliability, efficiency and are all underpinned by repeating, measurable actions. Strategy, differentiation, and new business operations rely on integrating change and novelty. The sources for learning associated

with conformance are usually codified and explicit. Creation of new knowledge and its associated learning is unstructured, tacit and not yet codified (Brown & Duguid, 1991; Nonaka, 1994).

## 2.1.4    The Governance Environment Summary

Is Board Member experience influenced by governance style and structure of a Board? Is Board Member experience influenced by the fiduciary responsibilities? Is Board Member experience influenced by the balancing act between performance and conformance expectations? This thesis attempts to answer these questions.

## 2.2 Board Member Learning

### 2.2.1 Introduction

A search of the literature produced no references to or empirical studies on actual learning experiences of directors in their early years of directorship. Garratt (2003) makes comment that in his experience over ninety per cent of the directors he has met have had no Board Member training or development. Experience is a combination and balancing of tacit and explicit understanding induced from an activity or event. If Board Members gain experience through mechanisms associated with their role, what kind of knowledge growth mechanisms are used? Is knowledge gained through tacit or explicit mechanisms and what activities or events engender learning? This section in the Literature Review discusses some of the literature associated with knowledge growth in general and mechanisms that might be used in preparation for the Board Member role.

### 2.2.2 Preparation for the role

The New Zealand Institute of Directors (NZIOD) Code of Best Practice for Directors suggests that Boards be structured for a balance of skills, knowledge and expertise. This includes taking into consideration Board size, competencies and director continuing development. Continuing development is focused on knowledge competencies, succession planning and continuing professional development. There is a best practice statement for development which focuses on formal ongoing external education and training. This however appears to be more concentrated on continuing professional development (in an own area of expertise) than on the development of specific governance or Board skills. The best practices statements are also oriented towards existing directors and Boards rather than prospective Board Members so there is an implicit assumption that the capabilities needed are already in place and need refreshing or further development rather than being new and needing to be learned.

## Induction and Due Diligence

In terms of preparation for the role, induction and due diligence (by both Board and Board Member) are recommended within the NZIOD Code of Best Practice for Directors. Induction and due diligence are also recommended by Matheson (2004) who suggests that preparation for the Board Member role should be focused around understanding the responsibility that is being taken on. Preparation should include due diligence, training and induction and orientation. Due diligence, induction and orientation are specific to an organisation. Training can be more general. The examples given by Matheson derive from the formal expectations held of Board Members in their role. Individually oriented (or personal development) skills like listening or teamwork are included.

## Courses and Mentoring

A search of the literature produced no references to or empirical studies relating to learning gained by formal courses or structured/organised governance education. The IODNZ does offer courses in Directorship. These courses have been running for at least a decade and over the past few years have included courses focused on SMEs (Small and Medium Sized Enterprises) and Chairing the Board. These are formal courses but do not lead to a formal qualification. The IODNZ also organise "Aspiring Director" events for those who wish to be considered for future directorships where the emphasis is on informal networking and relationship building (Scott, 2005) . The IODNZ have also introduced accreditation for Directors with the objective of promoting excellence in corporate governance through an initial screening and interview process which gauges applicants governance experience and expertise based on the Institutes own best practice statements and Code of Practice (Crauford, 2006). The courses are considered as part of a Board Members ongoing development. The efficacy of the courses in terms of professional development or Board appointments is not measured.

A search of the literature produced no references to or empirical studies on mentoring relating to aspiring Board Members or even existing Board

Members though Platt (1997) makes mention of internal 'exposure' of senior staff to the Board environment through Board presentations.

## 2.2.3 Building Understanding and Knowledge

Building understanding and knowledge incorporates a number of different but related factors. This section describes the different components of knowledge development from tacit to explicit knowledge and individual to organisation knowledge.

**Tacit versus explicit knowledge acquisition**

Polyani (1958) differentiates between tacit knowledge which is deemed personal, context specific, and subjective in comparison to explicit knowledge which is deemed codified, systematic, formal, and easy to communicate. A key difference between tacit and explicit knowledge is the way in which it is communicated and received by an individual. Tacit knowledge is difficult to describe, and is induced intuitively or through observation. Explicit knowledge is easier to describe as it has found a 'lingua franca' (a commonly understood language) within a group or community and is therefore able to be codified and communicated generally through verbal or written presentation and received via listening and reading.

If Board Members gain experience through learning associated with their role, what kind of knowledge is likely to be developed? Will learning or experience be developed through the gain of tacit knowledge or explicit knowledge or some mixture of both? What are the components of knowledge creation, growth and transfer?

**Building on Individual knowledge – the elements of changing mental models**

Literature on learning, learning organisations and knowledge transfer, state or imply that support for a change in mental models is required. Change in mental models is personal and individual, and likely to occur (and best facilitated) during interpersonal exchange as an individual makes sense of

their observations. Reflection on material explicitly presented (e.g. books and courses) can also induce a change in mental models.

The knowledge process of Nonaka (1994) which describes the movement between tacit, explicit, individual, group, and institutionalised knowledge/learning bears similarities to the organisational learning writings of Senge (2003), Senge, Scharmer, Jaworski, and Flowers (2005), and Argyris and Schon (1974) with regard to iteration (double loop learning), changing of mental modes and reflection. All of the models incorporate elements of iteration, personal change and movement from a starting position. This movement is similar to Lewins basic principles of change which has elements of an unfreezing, change and refreezing (Stacey, 1995),. The table below attempts to summarise the various theories.

| Learning | Argyris & Schon | Nonaka | Lewin | Senge – U movement | |
|---|---|---|---|---|---|
| Current understanding | | | | | |
| "Process" | Single loop learning<br><br><br>Double loop learning | Socialisation?<br><br><br>Externalisation<br>Combination<br>Internalisation | Unfreezing<br>}<br>}<br>}Change<br>}<br>}<br>Refreezing | Suspending<br>Redirecting<br>Letting go<br>Letting come<br>Crystallising<br>Prototyping<br>Institutionalising | Sensing<br><br>Presensing<br><br><br>Realising |
| New understanding | | | | | |

TABLE 1: ALIGNMENT OF ELEMENTS FROM ORGANISATIONAL LEARNING THEORISTS – N.DEACON

Not all are in agreement on the relationship between knowledge gain and learning. The main point of disagreement stems from how the change is interpreted. Does the change need to be observable and result in observable change in behaviour or can the change result in a potential change in behaviour? Huber (1991) says that learning has occurred if potential behaviour has changed. Both Argyris and Schon (1974) and Fiol and Lyles (1985) suggest that learning need not result in observable changes in behaviour. Senge (2003)  however says that learning is personal and there needs to be a personal change before learning can be said to have occurred For Senge learning is as much about the destruction/change of old views as it is about the accumulation of knowledge. Whichever view is ascribed to,

Board Members might be expected to demonstrate in some way a change or alteration to their perspective or actions as a result of learning i.e., if Board Member learning happens the resultant knowledge gain should result in an observable or a potential change in behaviour,

## Communities of Practice (CoPs)

For knowledge to move from being personal (or tacit) to being more generally understood by a group (explicit) there needs to be some mechanism which allows the development of a commonly shared understanding. A Community of Practice (CoP) as discussed in the writings of Brown and Duguid (1991) is one such grouping. CoPs bridge the gap between personal understanding and commonly shared understanding.

CoPs have relevance for the directorship environment if we are expecting the focus of Board Member experience to come from Board interactions or if we view Board interactions as both situated and sharing a common understanding. If a CoP is in evidence then we might expect knowledge specific to a Board Member being transferred in some manner to the Board.

A CoP is also required to transfer knowledge from one area expertise to another so if knowledge is to be developed by the Board we might expect knowledge transfer between Board Members. In addition to this if knowledge is to be developed by the organisation (the core of a learning organisation) then some knowledge transfer might be expected from a Board Member (or the Board) to the organisation. The larger the group of people gaining the transferred knowledge then the more likely this transferral will have some explicit content.

Brown and Duguid (1991) suggest that dialogue performs an important function in legitimising access and inclusion within a group. Cook and Brown (1999) also point out that CoPs and the knowledge that they hold is dynamic and always changing/adapting. Boards are ostensibly a group of like minded individuals with a set of common goals where dialogue is an important mechanism of communication. So Board Members might be expected to

demonstrate in some way examples of knowledge transfer within the group which has led to learning or a gain in experience.

## Building on the dynamic between knowledge held by the Board and the knowledge of the firm

If Board Member learning related to organisational learning then evidence of knowledge transfer might be observed from either the Board Member or the Board as a group into the organisational memory. Huber (1991), Crossan, Lane, and White (1999) and Kogut and Zander (1992) all suggest that for organisational learning to occur there needs to be both tacit knowledge development and explicit development or transfer of knowledge into some explicit or codified form. Kogut and Zander (1992) in their work on technology and the knowledge of the firm categorise organisational knowledge into:

- Informational: declarative and codifiable.
- Know-how: procedural and complex.

Both informational knowledge and know how are needed and integral in the transfer and building of organisational knowledge. All these studies are related to the implementation of knowledge management systems or the interaction between organisational knowledge goals and technology and do not look specifically at the relationship between a Board and the organisation. Does Board Member learning include examples of knowledge transfer from the Board (or Board Members) to the organisation?

**Learning Styles and Board Member Learning**

Learning style is an important part of learning, gaining knowledge and gaining experience. The literature on adult learning appears oriented to adults who are in a state of being educated or want to learn. This is quite a different perspective from the 'experienced' (verb) or vicarious learning as an adult which is the area of this research. Two articles are of some cross over relevance. They are:

- (Loo, 2002) The distribution of learning styles and types for hard and soft business majors in terms of the Kolb model.
- and (English, 2005) Narrative Research and feminist knowing: a post structural reading of women's learning in community organisations.

Learning styles refers to the way in which the learner responds or interacts with stimuli in the learning context. In Loo's study of volunteer management undergraduates in relation to Kolb's (1976) Learning Style Inventory (LSI) model, preference was found for an assimilator style and thinking type among those undergraduates who elected for 'hard' business majors in accounting and finance. The hard/soft distinction was described as a difference in emphasis between the "hard" quantitative and technical topics versus the "soft" emphasis on the people side of management. A large proportion of NZ Directors come from accounting or legal backgrounds (Van der Walt & Ingley, 2003) and it is therefore likely that this study will show Board Members to have a tendency to utilise the assimilator style and thinking/watching learning types. Board Member experience might be expected to be gained using assimilator and diverger learning Styles combined with watching and thinking dimensions. A further question might be: does learning style affect governance and development within the governance role?

English's paper (2005) uses narrative to describe the relational learning in women's organisations and to make visible the power relationships. This paper described "how they learn to be good Board Members" (p.144). This Canadian study involved interviews with eight Board Members and eight Directors in minimally paid and volunteer Board positions, (similar to NZ charities and trusts). There is a core of similarity between the English study

and this research as both are based on interviews with Board Members about their learning. There are also differences. The English study considered only one governance style, was Canadian based and specifically feminist oriented. The two studies also have very different methodologies and purposes. This research uses grounded theory to explore Board Member experience to gain an insight into patterns in Board Member learning. The English study uses narrative method to describe the power relationship at play in women's organisations.

## 2.2.4 Why learning might not happen

There are a number of factors which could contribute to learning or knowledge exchange failing to occur. Knowledge creation and knowledge transfer between individuals has elements beyond those of just communication. These elements include things like relative status, motivation to share, motivation to learn, a common language, legitimacy of access and the ability to confirm both meaning and understanding between parties.

Elements of status, legitimised access and belonging feature as contributing factors of knowledge transfer in the writings of Brown and Duguid, (1991), Currie and Kerrin (2004), Ekbia & Kling (2005), Hall (2005), Hayes and Walsham (2001), Lave and Wenger (1991), Nonaka and Konno (1998) and Osterloh and Frey (2000). These studies focus on knowledge transfer within organisations. Motivation and reward, or fear of sanctions, feature as contributing factors of knowledge transfer studies which look at knowledge transfer in organisations. Many of the studies in this area are case studies related to the implementation of Knowledge Management Systems (or the interaction between organisational knowledge goals and technology). Studies in this area include Currie and Kerrin (2004), Davenport, DeLong, and Beers (1998) Ekbia & Kling (2005), Häcki and Lighton (2001), Huber (1991), and Symon (2000).

Gupta and Govindarajan (2000) describe motivation to share and learn as being fundamental to growth of knowledge and knowledge exchanged.

Boyatzis, Stubbs, and Taylor (2002) also mention motivation or the desire to use ones talents as an ingredient of capability. Huber (1991) also discusses information being shared if of benefit to the teacher (push) and the learner (pull). Ingley and Wu (2007) suggest that there might be process-related reasons for learning not occurring especially if there is a high level of tacit knowledge involved . Brown and Duguid (1991) comment that many writers/managers disembody organisational learning by focussing on impersonal organisational routines.

Knowledge exchange may not occur due to fear of informational asymmetries as described by Ingley and Wu (2007), (or at the other extreme) due to the corresponding codification and simplification of knowledge which can result imitation and open the risk of competitive use (Kogut & Zander, 1992).

There may be personally oriented reasons for resistance to discussing learning which may include lack of reflecting, or ego/credibility issues (Ingley & Wu, 2007). Credibility is also highlighted by Huber (1991) who mentions that some individuals may not use feedback to improve performance because credibility is questioned if information is negative. Senge (2003) comments that it can be difficult for smart people to learn because they have invested considerably in not appearing to need to.

These last threads might also be differently restated as "it is difficult to see that learning is necessary where there is an assumption that a common understanding is already shared". It has been the researcher's experience (in information technology projects in particular) that assumptions of a common understanding often exist where in fact the unstated assumptions may well be very different.

The literature suggests that if the right elements exist and include elements such as motivation to share, motivation to learn, a common language, legitimacy of access and the ability to confirm both meaning and understanding between parties then there should be little or no resistance to learning. Examples of non-supporting elements for knowledge transfer may

have some relevance to Board Member learning. This research focuses on what Board Member learning has happened and what experience has been gained. It does not examine what learning or experience has not occurred or what barriers to learning might be in place.

## 2.3  Mechanisms for Learning

### 2.3.1 Introduction

A search of the literature produced no references to or empirical studies on events or mechanisms which might be associated with Board Member learning. Experience is a combination and balancing of tacit and explicit understanding induced from an activity or event. If Board Members gain experience through mechanisms associated with their role, what activities or events might engender learning?

### 2.3.2 Events and Activities (mechanisms)

There are many mechanisms associated with the role of Board Member by which a Board Member might increase his or her experience.

We might expect Board Member learning to emanate from the undertaking of fiduciary responsibilities. The fiduciary responsibilities of a Board are spelled out in law and best practice statements. These apply mainly to reporting requirements, Board meetings, and specified committee responsibilities. Legislation and influential reports include the Cadbury Report (1992), the 1999 OECD Principles of Corporate Governance ((OECD, 1999) revised in 2004), the Public Company Accounting Reform and Investor Protection Act of 2002 (also known as The Sarbanes-Oxley Act of 2002 ), and the United Nations Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) Guidance on Good Practices in Corporate Governance Disclosure.

ISAR has produced internationally agreed benchmarks in the areas of:
- Board and management structure and process
- Ownership structure and exercise of control rights
- Financial transparency and information disclosure
- Auditing
- Corporate responsibility and compliance

All have tended to focus on disclosure items or outputs of the Board process or what Board Members should be focused on or doing. These do not outline how Board Members are expected to use their personal skills in the achievement of these outputs, though Board evaluation does attempt to do this and is discussed later in this document.

We might expect Board Member learning to be derived from the undertaking of Board tasks. A number of studies have considered the fiduciary responsibilities discussed above and derived a number of associated Board tasks which have then been assessed for relevance and correlation with performance. Van der Walt and Ingley in their 2001 study (based on questionnaires and focus groups) discuss how NZ directors assessed their Boards in the extent of their support for the identified Board tasks of:

- Protecting assets of the firm
- Representing shareholder interests
- Supporting new ventures
- Directors and officers responsibilities
- Evaluating activities of the firm
- Enhancing performance
- Providing strategic vision
- CEO mentoring
- Representing staff interests

We might expect Board Member learning to emanate from the undertaking of Board tasks.

Board Members also have to balance both internal and external concerns. Within their role Board Members also have to balance effective monitoring and control with the need for the organisation to maintain the point of difference which makes it competitive and (hopefully) successful. Fiduciary responsibilities relate, mainly, to actions of compliance and control. These actions rely on standards, reliability, efficiency and are all underpinned by repeating, measurable actions.

Strategy which differentiates a business relies on novelty, and the resulting strategic actions are risky and may not be efficient. Strategic actions may have no standard, new businesses and innovative ideas are more likely to

fail than succeed in the early stages. Much learning is derived from learning from mistakes. Risk and reward are related. There is little in the literature which discusses the kind of learning which takes place if elements of risk and failure are aspects to be avoided, as in a compliance-driven environment. We might expect Board Member learning to emanate from undertaking externally focused or risk related activities.

## 2.4 Desired Attributes of Board Members

### 2.4.1 Introduction

This section in the Literature Review touches on the perception of experience. If Board Member experience is tangible then how is it identified and how do Board Members detect or assess its presence? There is no literature specifically on this topic.

There are occasions on which Board Member experience might be assessed. These would include:

- The selection (or appointment) of a new Board Member
- The evaluation of an existing Board Member
- Board discussions
- Governance failure

However there are no formal or standard mechanisms for the assessment of Board Member experience. Assessment during selection or appointment is not always an option for some Boards. Board Members can be business owners and become Board Members through forming a Company. Some Board Members gain placement on Boards through election, others through appointment, some through invitation, others through some form of application and assessment. Some regular contributors to Board Meetings may not formally be Board Members. Board and Board Member evaluation is a recent and contentious issue and discussed later in this document in section 2.4.4.

If there is a tangible (identifiable) difference between an inexperienced Board Member and an experienced Board Member then how is an incumbent Board able to discern this difference? How is experience conveyed to other Board Members? Is what is considered as experience in the hiring process similar to what Board Members identify as experience gained in their first few years? Will the perception of experience be related to the learning experiences of the first few years of being a Board Member or drawn from experiences outside the Board environment? Is the perception of experience related to actual learning experiences or more closely aligned

with elements relating to credibility and trust? Van den Berghe and Levrau (2004) in their discussion evaluating Boards make the point that practitioners attach greater importance to elements absent from the literature like trust, team spirit and respect.

## 2.4.2 Expectations of Board Members

The primary expectation of Board Members is the fulfilment of their fiduciary, politically and legally derived responsibilities. This expectation is embodied in legislation, documented standards and best practices. There are other (secondary) expectations of Board Members in terms of the competencies, roles, functions and skills perceived as needed to fulfil those primary expectations.

Some authors have commented specifically on the roles/functions/competencies/skills which we might expect to support organisational governance this literature uses the legislation and best practices discussed in 2.3.2. Some authors reference other writers who have reviewed these sources of material. This indicates the literature derived roles/functions/competencies/skills which support organisational governance is based on a relatively small body of legislative like material and thus focused on explicitly defined fiduciary responsibilities. If there are roles/functions/competencies/skills outside those which might be derived from fiduciary expectations, then these do not appear to have been researched.

The literature does not outline how Board Members might gain the skills or competencies identified. Some studies have put forward lists of skills, attributes, or competencies which theoretically support the reports and best practices identified in 2.3.2. The focus is often on identification or assessment and not development. The following discussion reviews the literature in more detail and a detailed summary of the attributes, competencies, skills, elements, personal qualities and development needs identified is included in Appendix C.

Blake (1999), Davies (1999), Orlikoff (1998) and Soo-Hoon Lee and Phan (2000) have all proposed models based on literature studies. The literature used as a basis for these models is not empirically based but is instead prescriptive and the models have not been tested or validated. The articles also do not discuss how Board Members might develop these attributes or competencies. Further detailed in Appendix C - Blake (1999) lists five main attributes of directors, Davies (1999) – lists effective competencies for building and effective Board, Orlikoff (1998) has identified seven practices of super Boards, and Soo-Hoon Lee and Phan (2000) use the competency profiling methodology of Boyatzis (1982) and generic competencies list from Dulewicz and Herbert (1999) to build a list of specific competencies needed for directors of global firms. This latter study, while described as a list of competencies, is probably more accurately described as a list of behaviours deemed necessary for directors in the global environment. The Dulewicz and Herbert article also describes actions and competencies and goes on to describe assessment exercises to identify these competencies.

Garratt, Platt and Tricker have incorporated personal experience and their exposure to directorship in their literature (Garratt, 2003; Platt, 1997; B. Tricker, 1997a; R. I. Tricker & Lee, 1997) when they discuss what might be described as core requirements of effective Boards (detailed in Appendix C). Garratt, Platt and Tricker have suggested elements which are explicit statements of inputs and outputs, but again do not describe the process by which Board Members can gain the experience needed to achieve these outputs.

A number of writers have discussed competencies relative to regulatory expectations. Pierce (1994), Boudreaux (1997), Jackson and Holland (1998), and Tricker and Lee (1997) link empirical data to regulatory expectations or competency frameworks derived from research by the British IOD and the Henley school. The focus of these studies is on identification or assessment and not development.

Pierce (1994) in his review of executive competencies makes use of IOD and Henley school identified key personal qualities needed by directors

(detailed in Appendix C). Pierce also makes reference to the Management Charter Initiative (MCI) framework which lists seventeen personal competencies, knowledge and understanding and performance skills (detailed in Appendix C). Pierce includes a history of development of research in regards to competencies at executive levels where he raises doubts about competency models. Specifically he describes the difficulties in breaking these down into measurable parts, the resistance to doing this and the difficulty integrating the parts back into the complex holistic competencies which are needed/used. The comment is also made that there are a large number of competency models used by the Human Resource profession, Consultancies, and large organisations and a map is needed (to be developed) to draw the fit between all these models. Pierce also thinks that the future development of competency models will focus on formal programs and professional qualifications.

In a case study Boudreaux (1997) makes mention of eight major competencies considered by the National Rural Electric Cooperative Association (NRECA).  Jackson and Holland (1998) identify six Board level competencies derived from a Board Self Assessment Questionnaire (BSAQ). This was based on structured interviews in not-for-profit organisations and the use of a 65 question questionnaire. These are described as Board competencies and not Board Member competencies. The competencies described by Boudreaux and Jackson and Holland are detailed in Appendix C.

Tricker and Lee  (1997) grouped IOD standards into three areas to produce lists of competencies or qualities which the Mass Transit Railway Corporation, Hong Kong  (MTRC) could use to develop testing and succession planning for future directorship needs. These are detailed in Appendix C.

Ingley and van der Walt in their research (Ingley & Van der Walt, 2002, 2004, 2005; Van der Walt & Ingley, 2001, 2003; Van der Walt et al., 2002) have also drawn on the literature of  good practice guides such as (Cadbury, 1992; Garratt, 2003; Kiel & Nicholson, 2005) and others. Ingley and van der

Walts research are empirical studies which have examine how NZ directors have assessed what they do. Data collection techniques have been questionnaires and focus groups. The starting point for these studies has been derived from many of the authors already mentioned. In the 2001 study Directors assessed their Boards in their standard of support for the tasks of the board (detailed in Appendix C). The identified development needs for Board Members to support these functions are also identified in Appendix C. These studies were not intended to describe how these skills might be developed. Directors are expected to be appointed on the basis of already possessing these capabilities. The research for this thesis is intended to identify the process by which these skills may be gained.

In summary, with the exception of the works by Garratt, Platt and Tricker which explicitly call on personal experience, there is no literature which describes a Board Member's own perception or external evaluation of their learning and development as a Board Member. While there are expectations of skills needed to fulfil the role and functions of a Board Member there is no list of the particular competencies Board Members recognise in other Board Members as those indicative of Board Member experience. These skills may be the same as some of the expectations documented but so far this has not been validated as such. This research attempts to bridge some of the gaps identified by asking Board Members for their own perceptions of what experience means to them through their descriptions of their own learning experiences and their perceptions of experience in others.

### 2.4.3 The Governance Boundaries

A search of the literature produced no references to or empirical studies on what associated learning differences there might be as a result of different ownership types or the difference between management and governance. If Board Members gain experience through mechanisms associated with their governance role, is this experience different to that which might be gained in a managerial role? Are the attributes of an experienced Board Member different to those of an experienced Manager? Does the governance structure impact Board Member learning?

The literature does not present a uniform point of view in its discussions of the separation of duties or Board Member versus managerial competencies. There is however a clear theme that there is a difference and Carter and Lorsch (2004) argue that the line between the two needs to be established by each board at the individual firm level. Both the IODNZ and Watson (1999) declare the need to distinguish between direction as opposed to management. If the strategic role moves to Board Members it can become unclear where the lines of responsibility sit and may result in the Board interfering in the efficient management of organisation. Similarly Pierce (1994) makes mention of the problem of separating directing from managing when evaluating Director functions and individual and collective Board performance.

Seven different ownership types were identified by van der Walt, Ingley and Diack, (2002) in their study of New Zealand organisations. Each ownership type was identified with a different governance culture and desired return. Different outputs and cultures raise questions with regard to corresponding needs for diversity in skills and experience. The identification of what these different skills or experience might be has not been addressed.

The question should also be asked whether clear separation of duties (and associated competencies) is desirable. Strategic dissonance becomes greater, the greater the distance between strategic action and strategic decision making (Burgelman & Grove, 1996). The closer the alignment of practice between the Board and the organisation, the less strategic dissonance should occur. This might suggest that start-up companies in particular would be more inclined to have less separation of duties between Board and management. This echoes the argument of Carter and Lorsch (2004) that the line between management and governance needs to be established by each board at the individual firm level.

## Competencies – Management  vs Governance

In comparing management and directorship competencies, the same competency can be both a managerial and governance competency.

Boudreaux (1994) shows considerable overlap between key competencies for Directors versus key competencies for Managers. (see Table 2). Tricker and Lee (1997) also show considerable overlap (as shown in Table 3).

| Director | Manager |
|---|---|
| *Understanding industry trends issues* | *Understanding industry trends issues* |
| *Teamwork and collaboration* | *Teamwork and collaboration* |
| *Manager selection* | *HR management in complex HR environment* |
| *Policy guidance* | *Strategic vision* |
| *Macro focus* | *Leadership and involvement* |
| *Joint goal setting and manager appraisal* | *Communicating effectively with diverse group* |

TABLE 2: DIRECTOR AND MANAGER COMPETENCIES FROM BOUDREAUX (1994)

| Frame2<br>Personal competencies of directors | Frame1<br>Senior Management competencies |
|---|---|
| Strategic perspective<br>Achievement focus<br>Communication skills<br>Interacting with others<br><br>Analytical understanding<br>Board management * (major difference) | Strategic perspective<br>Achievement focus<br>Communication skills<br>Building teams<br>Influencing others<br>Information seeking<br><br>Judgement<br>Self confidence |
| Frame3<br>Specific to Board environment | |
| Governance – Board roles/relationships/processes<br>Evaluation skills – strength/weaknesses, selection/appraisal, company documents<br>Contemporary thinking – public affairs, political/economic/technological environment | |

TABLE 3: SUMMARY OF QUALITIES AND COMPETENCIES IDENTIFIED BY IOD (UK) FROM TRICKER AND LEE (1997)

Some of the lack of clarity is possibly due to the difference in context, where the ultimate responsibility and accountability resides i.e., communication skills might be different between oversight (directorship) and action (managerial). This explicitly rendered information uses the same labels/terms for similar things within different contexts. This is an identified issue with attempting to codify tacit knowledge (Brown & Duguid, 1998; Cook

& Brown, 1999). Similarly, managing directors i.e., executive directors who both manage in the business and apply governance at the Board table are clearly not 'two people' and have only one set of competencies. Separating out which competencies are used to what degree at any particular point in time and in which context would be at best be a complex study. In addition the competency lists referred to by Dulewicz, and Herbert (2004), Dulewicz, and Higgs (2003a, 2003b) and EQ competencies referred to by Dulewicz, Young, and Dulewicz, (2005), Dulewicz, and Higgs (2005), and Dulewicz, and Higgs (2004) are all 'leadership' focused and take their source data from a sample of managers. Boyatzis (Boyatzis, 2000), and Boyatzis et al., (2002) also take their base data from managers not Board Members.

There are some underlying assumptions when these competency frameworks are applied to Board Members. One assumption is that these studies have looked at those deemed leaders and found a mechanism to describe and differentiate the competencies present. There is no investigation as to whether these are in fact competencies we might desire in Board Members. A second assumption is that those at the top of organisations are in fact leaders. This view must be somewhat suspect when applied to Board Members in an Agency role (or compliance/conformance role) in particular. Those in performance of an Agency role are primarily monitoring, approving or auditing the practice of the managers i.e., not leading the organisation.

The New Zealand Institute of Directors (IODNZ) has a best practice guide (Code of Practice for Directors: Best Practice Statements) which details key competencies for Non-Executive Directors (NEDs). This has a focus on selection and placement rather than development. The key competencies are split into 31 statements across six areas. These six areas are:
- General Competencies
- Strategic Competencies
- Analytical Competencies
- Character Competencies
- Communication and Interaction Competencies
- Knowledge Competencies

Within these six areas there are 31 associated statements, only three of which could be called Board Member specific. The rest might equally be expected of executive managers. These statements are:

- 2.2.5 Governance (within Strategic Competencies)
- 2.6.1 Director Responsibilities (within Knowledge Competencies) and
- 2.6.4 Board Structure (within Knowledge Competencies)

## 2.4.4 Evaluation of Board Members

The literature on evaluation tends to focus on evaluation of the Board and not individual Board Members. There is a growing number of tests to aid Board Members in self evaluation and evaluation of their own Boards. These are focused on performance of the Board functions and tasks. The evaluation criteria are derived from fiduciary expectations or from characteristics which might be used as part of the recruitment process for a new Board Member (Dalton & Daily, 2004; Herman & Renz, 2003; Ingley & McCaffrey, 2007; Kiel & Nicholson, 2005; Leblanc, 2005; R. I. Tricker & Lee, 1997; Van den Berghe & Levrau, 2004).

Ingley and McCaffrey (2007) have identified factors which influence the selection of NEDs. They are:

- Well respected in industry
- Well respected in Business community
- Recommended by bank
- Expertise in area of interest to company
- Ability to introduce key contacts
- Assist with networking
- Understand business risk
- Recognise strategic capabilities
- Provide capital
- Ability to represent shareholders
- Expertise in industry
- Private sector Board experience.

Only two of these factors imply prior Board Member experience, they are: "ability to represent shareholders" and "private sector Board experience".

The remainder suggest that credibility and specific expertise is important. This echoes Van den Berghe and Levrau (2004) comments concerning practitioners who attach greater importance to elements like trust, team spirit and respect.

Kiel and Nicholson (2005) in their evaluations of Boards have identified four categories of governance failure. They are:

- Strategic
- Control
- Ethical
- Interpersonal relationship

However the place of Board Member experience or Board Member learning in governance failure is not clear.

The validity of Board Member evaluations and the resistance to individual appraisals (versus collective Board evaluations) is discussed by Ingley and van der Walt (2002) as Board outputs (and, implicitly, Board performance) is a collective responsibility. Herman and Renz (2003) also make the point that there can be substantial variation among stakeholder perceptions when judging the effectiveness of the same organisations. In their study effectiveness varied in terms of perspective, social constructionism, higher social prestige, and use/communication of management practice/strategies. Herman and Renz's work has similarities to that of Westphal and Zajac (1998) who studied the management of shareholder perceptions during/as a result of communicated governance changes. Evaluation of Boards and Board Members is made difficult when there are attempts to correlate the evaluation with performance and the measure of performance could be perceived as sub-standard or inconsistent. This in turn makes it difficult to identify desired attributes and the level at which these attributes should be utilised. This area of study is relatively nascent and clear patterns or standards have yet to emerge.

## 2.4.5 Evaluation of the process of Board Member learning

The process of Board Member learning is not defined or discussed within the literature. While induction, due diligence and ongoing development are discussed there is no commentary as to the quality and consistency of application.

The Capability Maturity Model (CMM) has its history in Information Technology (IT) Governance. It is a mechanism whereby a uniform standard can be applied across a very diverse and fast changing industry. Rather than describing the tasks or actions which should be achieved to a level of measurable performance the CMM describes the capability of the structures and processes in place to support, develop and maintain the necessary tasks and actions to cope with organisational needs. The CMM describes five levels of capability. These are:

0. Non-existent,
1. Initial and ad-hoc,
2. Repeatable but intuitive,
3. Defined,
4. Managed and measurable and
5. Optimised.

There are already published CMMs in place for IT Governance (Cobit), Supply Chain Management (SCOR) , and People Management (PPM) and these have provenance and standards attached. Organisations would normally aspire to achieving at least Level 3 (Defined Process). Organisations might aspire to levels 4 or 5 if the process described is seen by the organisation as being one which contributes to the strategic difference of the organisation. If there is evidence of a Board Member development processes, at what level might these processes be described within a CMM? Is the development of Board Member experience a defined process? The following table is a proposed Capability Maturity Model for the Board Member development process. It is an adaption of the Generic Capability Maturity Model taken from the IT Governance Standard ("Cobit 4.1," 2007).

| Level | Capability Maturity | Governance of the Board Member Development Process |
|---|---|---|
| 0 | **Non-existent** | There is no established environment for Board Member development. There is no recognition of the need to establish a set of policies, plans and procedures, and compliance processes. |
| 1 | **Initial/Ad Hoc** Boardroom practices applied inconsistently | The need for Board Member development is known by the Board. Board Member development may be performed on an as-needed basis in response to specific requirements. Board Member development is occasionally discussed at Board meetings. The alignment of Board requirements and Board Member development, takes place reactively rather than by any strategy. |
| 2 | **Repeatable but intuitive** The Board takes responsibility for managing and developing their people | Board Member development processes emerge, though may be informal and intuitive. Procedures are followed differently by individuals within the Board. Board Members obtain their skills through induction, courses, presentations, observation, mentoring, and time spent in the Boardroom. Personal requirements drive the development of governance training by individual Board Members. Focus is on developing processes around compensation, training and development, performance management, Board environment (processes and protocols), communication and coordination |
| 3 | **Defined** Board competencies are developed and aligned with business strategy and objectives | The Board is aware of the importance of Board Member development. The development process is reasonably sound and aligned with the strategic plan. There is a defined, documented and well-communicated development plan, but it may be inconsistently applied. The development plan includes an understanding of where the Board wants to lead or lag in Board Member expertise, based on risks and alignment with the organisation's strategy. Formal training and communication of roles and responsibilities exist. Focus in on developing a participatory culture, workgroup development, competency-based practices, career development, competency development, Board competency planning, competency analysis |
| 4 | **Managed and measurable** Integrated Board competencies and performance managed quantitatively | The Board proactively responds to change and includes all competencies necessary to meet Board requirements. Board management, process ownership, accountability and responsibility are defined and balanced. Measurable metrics to support the organisational objectives are in place and understood. Skill inventories are available to support Board need and development. The Board structure appropriately reflects the organisational needs and provides services aligned with organisational strategy, rather than with fiduciary requirements alone. Focus is on developing mentoring, Board capability management, quantitative performance management, competency-based assets, empowered workgroups, competency integration |
| 5 | **Optimised** Board Capability continuously improved and aligned with organisational capability | The Board development plan is continuously being updated to meet changing organisational requirements. Board Member development is integrated with and responsive to the entity's strategic direction. Analysis of Board Member development is used in the investment, selection and budgeting process. The process of development of Board Members is continuously improved based on lessons learned. Components of Board and Board Member development are consistent with industry good practices, such as compensation, performance reviews, participation in industry forums, transfer of knowledge, training and mentoring. Focus is on continuous capability improvement and alignment with organisational performance |

TABLE 4: PROPOSED CAPABILITY AND MATURITY MODEL FOR BOARD MEMBER DEVELOPMENT.

## 2.5 Questions arising from the Literature Review

### 2.5.1 Research Questions

The research questions which this thesis asks are:

- What constitutes an 'experienced' Board Member?
- What have experienced Board Members learned?
- What have been the mechanisms in this learning?
- How is this experience conveyed to other Board Members?

Using grounded theory this research undertakes to provides answers to these research questions and produce a theory related to Board Member experience.

### 2.5.2 Additional Questions

Further questions have arisen during the discussion of the literature and these are detailed here. These questions will also be compared against the findings of this research.

1. Is Board Member experience influenced by governance style and structure of a Board?
2. Is Board Member experience influenced by the fiduciary responsibilities?
3. Is Board Member experience influenced by the balancing act between performance and conformance expectations?
4. If Board Members gain experience through learning associated with their role, what kind of knowledge is likely to be developed?
5. Will learning or experience be developed through tacit knowledge gain or explicit knowledge gain or some mixture of both?
6. What are the components of knowledge creation, growth and transfer?
7. If Board Member learning happens is the knowledge gain result in an observable or a potential change in behaviour?
8. Is Board Member learning related to Organisational Learning?
9. Is Board Member learning associated with the assimilator and diverger learning styles combined with watching and thinking dimensions?
10. Could learning style affect governance and development within the governance role?
11. If Board Member experience is tangible then how is it identified and how do Board Members detect or assess its presence?

12. If there is a tangible (identifiable) difference between an inexperienced Board Member and an experienced Board Member then how is an incumbent Board able to discern this difference?

13. Is what is considered as experience in the hiring process similar to what Board Members identify as experience gained in their first few years?

14. Will the perception of experience be related to the learning experiences of the first few years of being a Board Member or drawn from experiences outside the Board environment?

15. Is the perception of experience related to actual learning experiences or more closely aligned with elements relating to credibility and trust?

16. If Board Members gain experience through mechanisms associated with their role, is this experience different to that which might be gained in a managerial role?

17. Are the attributes of an experienced Board Member different to those of an experienced manager?

18. Does the governance structure impact Board Member learning?

19. If there is evidence of a Board Member development processes, at what level might these processes be described within a CMM?

20. Is the development of Board Member experience a defined process?

In relation to the last two questions the proposed version of the Capability Maturity Model detailed in Table 4 could be applied to the area of Board Member development.

## 2.6  Summary – Literature Review

This literature review has considered the literature pertaining to Board Member experience within a number of different theoretical constructs including governance theory, knowledge theory, and organisational learning theory. The literature review attempts to paint a picture of some of the themes that might be expected to emerge from this research and has considered literature pertaining to the governance environment in general, Board Member learning, potential mechanisms for Board Member learning, and desired attributes of Board Members.

While there is much literature about what Board Members should know and do, it is still not known what constitutes experience for a Board Member, how experience might be gained, the events which might contribute to learning, and how experience is conveyed to other Board Members.

If Board Member experience is likely to be knowledge of, skill in or observation of a thing or event gained through the involvement or exposure while in the role of Board Member and Board Member experience is likely to be in the form of know how (procedural knowledge) rather than empirical knowledge, then accordingly this experience might be expected to be related in some way to mechanisms or events associated with Board activities or the Board environment.

If Board Member learning happens, then the knowledge gain might result in an observable (or potential) personal change or growth in areas associated with being a Board Member. Tables 5 and 6 summarise some of the potential components of Board Member experience and learning.

| Area where experience might be gained | Potential Mechanisms or Events |
|---|---|
| Internal actions/events | • The fulfilment of Fiduciary responsibilities<br>• The workings of the Board (Board meetings, discussions)<br>• Relationships within the Board<br>• Relationships within the organisation<br>• Other internal situations or events |
| External actions/events | • Changes in fiduciary responsibilities<br>• Changes in the marketplace<br>• Working with other organisations<br>• Relationships external to the organisation<br>• Other external situations or events |
| Success or failure | • Personal achievement<br>• Personal challenge/failure<br>• Board achievement<br>• Board challenges/failure |

TABLE 5: POTENTIAL MECHANISMS OR EVENTS CONTRIBUTING TO BOARD MEMBER EXPERIENCE.

| Is Board Member learning associated with changes or growth in: |
|---|
| • What a Board Member might be expected to do<br>• What a Board Member might be expected to know<br>• The competencies a Board Members might be expected to have<br>• Experiences gained as a Board Member which are different to those gained as a manager |

TABLE 6: POTENTIAL AREAS WHERE LEARNING MIGHT RESULT IN PERSONAL CHANGE OR GROWTH.

Board Member experience may also be influenced by individual learning styles, and an organisation's capability and maturity in terms of Board Member development. There remains an underlying assumption that an experienced Board Member and their experience is of value to a Board and/or the organisation.

# 3.0 METHODOLOGY

This chapter describes the methodology used in this research. The chapter is broken into two parts. The first part describes the choice and structure of the research. The second part describes some of the issues encountered during the information gathering and the choices made as a result of these.

## 3.1 METHODOLOGY CHOICE AND STRUCTURE

### 3.1.1 Qualitative Research

This is a qualitative study and is concerned with gaining an understanding of what constitutes Board Member experience as described by Board Members, using the recollections, descriptions and impressions of their own experiences. A qualitative approach was selected for this study because it is research about the lived experiences, behaviours and perceptions of Board Members. Because there is little published data in the area being researched the bulk of the analysis is interpretive and an attempt to understand the phenomena through the meanings and descriptions assigned by the participants as described by Bryman and Bell (2007) and Corbin and Strauss (1998).

Face to face interviews were used as the primary source of information gathering and grounded theory was chosen as the underpinning methodological approach. This approach grounds the resultant theory in the realised experiences of the participants. A grounded theory approach is appropriate to the collection of rich data that will produce in-depth insights into the subjective and multiple perspectives of participants, who are (or have been) Board Members, on a topic where the literature is generally lacking.

The use of grounded theory in governance research has been largely applied to issues of financial disclosure, risk and Board oversight e.g. (Goddard, 2004, 2005; Holland, 2005; McFadzean, Ezingeard, & Birchall,

2007; O'Connor, Netting, & Thomas, 2008; Parker, 2003), or to the use of elements of a "grounded approach" to data collection, or analysis, for example in the study by van der Walt, Ingley, and Diack (2002) where a mixed methodological approach was used in a study of ownership implications, performance requirements and strategy.

## 3.1.2　　Choice of grounded theory

A grounded theory approach was chosen due to its particular suitability for meeting the objectives of the research. This area of research is relatively unexplored.　As discussed in the literature review, much of the literature around governance has built theory on extensions of previous theories. Much of the literature is comparative in nature and tries to compare hypothesised outcomes with observed outcomes. There have been few studies in this area which have resulted in strong correlation. There is instead a great deal of opinion about what should be and very little data grounded in first person observation from the perspectives of practising Board Members.

Journal articles have considered the Board as a whole or used the performance of the organisation as the indicator of the theory. Some have been empirical studies trying to find correlation and significance across large numbers of Boards based on information available in the public domain (e.g. company reports, published Board lists), or through formal documents already held by an organisation. These studies begin with a reductionist positivist approach based on explicit information contained in formal documentation. In contrast to theory generated by logical deduction and *a priori* assumptions, grounded theory is the "Discovery of theory from data from social research　– systematically obtained and analysed" (Glaser & Strauss, 1999, p. 1). Logically deduced theory, if based on ungrounded assumptions, can fulfill the role of telling the client what they may want to hear, and support and fulfill an existing paradigm.

Grounded theory contains both positivist and interpretive elements. Its emphasis on using systematic techniques to study an external world remains

consistent with positivism. Its stress on how people construct actions, meanings and intentions is in keeping with interpretive traditions. The main purpose of grounded theory research is to develop a theory. The underlying assumption is that all the concepts pertaining to a phenomenon have not yet been identified or the concepts are poorly understood and conceptually undeveloped (Corbin & Strauss, 1998). Research (empirical and not empirical) in areas relating to Board Members has found few strong correlations. This may have been due to the focus of the studies where researchers have begun with predetermined themes but where the natural variation in Directorship may have provided variation on outcomes too difficult for generalisation. A grounded theory approach is therefore well suited to building theory from the outcomes uncovered during this research.

There are two main schools of thought in the approach to grounded theory. One is associated with Glaser, the other associated with Corbin and Strauss. The Corbin and Strauss (1990) approach to grounded theory was used in this study in preference to grounded theory as practised by Glaser  (Glaser & Holton, 2004; Glaser & Strauss, 1999) as it is more structured and better suited to the scale of this research.

The timing of the literature review is problematic in either of the grounded theory approaches. Glaser (2004) suggests that the research should not be 'blocked' by a preconceived problem, a methods chapter or a literature review. A literature review was done with the objective of comparing the outcomes of the research with areas discussed in the literature review rather than developing preconceptions based on the extant literature as suggested by Locke (1996). The research design was influenced by questions derived from the literature review.  Investigation of Board Member behaviour, (or phenomenon), uninfluenced by current theories, makes it more likely that the outcomes will be theoretically closer to the area of research.

General discussion with Board Members prior to embarking on this research suggested that there might be some elements of learning common to all Board Members irrespective of industry, company size, company life cycle or governance type.  The decision was made to use a sample of Board

Members from a broad range of organisational types as this would demonstrate if this observation had validity. Using a case study method or focussing on organisations with similar company life cycle or governance types would meant that further studies would be needed before the results could be generalised to all Board Members. Therefore this research used a small number of Board Members with breadth in organisational types. Three very general opening questions were used as the basis for a one hour one on one interview to see if a pattern developed around the topic of Board Member experience.

### 3.1.3 Literature Review

The purpose of reviewing the literature is to build a foundation of grounded research to investigate and understand previous methods of study that have been used, the theoretical and methodological approaches to arguments, and to consider the inclusion of variables that this researcher has not yet considered (Bryman & Bell, 2007). A literature review was done ahead of the empirical component of the study and was used to identify the process by which I came to the original research question as well as to identify initial perspectives critical to the research design and the design of the initial interview questions. A second literature review was done, as suggested by McCallin (2003) as a result of the outcomes from the iterative process of data collection, constant comparative analysis, theoretical sampling and theory building. The availability of empirical research on Board Member experience was difficult to establish, therefore secondary literature on a broad range of theoretical perspectives was used to describe the context of Board Member experience.

### 3.1.4     Sampling

Data was collected from a selected sample of NZ Board Members who had had experience in a Board environment. The primary selection criterion was that participants have three or more years as a Board Member in a Board environment. A secondary selection criterion was an attempt to get a spread across organisational types as described by van der Walt et al (2002). There was also a conscious effort to capture both Non-Executive Director (NED)

and Executive Director (ED) experience and to obtain a mix of men and women. The objective of the sampling was that any theory built would have the potential to be able to generalised to all Board Members. Other demographic attributes were not specifically solicited during participant identification.

The participants were selected using various means. Five were personally known to the researcher prior to the research, six were identified and approached as a result of university-related and work-related contacts of which four generously donated their time. Seven were invited verbally, two via email. Four participants were identified ahead of the start of the empirical research. Other participants were approached as the data collection developed.

Grounded theory dictates the ultimate size of the sample. Sampling continues until a predictable pattern is observed and a theory can be generated. The initial estimate was that 15-20 participants/interviews might be needed. Nine participants and twelve interviews were enough to capture the insights into this topic and a degree of theoretical saturation was achieved.

## 3.1.5    Interviews and interview design

Interviews were the primary method of data collection for this study. The interviews were initially unstructured but developed a more structured format as categories developed and were explored in greater depth. Data collection was done through one-on-one face-to-face interviews. The interviews took between 45 and 90 minutes at a place agreed by the participants. Ahead of the interview each participant was emailed with an outline of the research, informed of its purpose, and how the information shared could be used.

The grounded theory approach meant the use of open ended questions and letting the conversation flow from these. According to this inductive method the researcher does not enter the interview with preconceptions or an agenda.    The reality of the time frames and getting focus into the

conversation meant that the researcher used a mixture of approaches to focus the conversation. A restatement of the original research questions was used if the conversation diverged off topic. If an area of discussion (eg mentoring) did not naturally develop then questions on this topic were injected into the discussion.

At least one week prior to the interview the participants were presented with a participant information sheet (contained in Appendix A). This information sheet contained three questions asking about Board Member experience which would be used initially to start the interview. These three questions were used to begin the conversation and were returned to during the interview as a mechanism to stay on topic. Consistent with Bryman and Bell (2007) and Crotty (1998) the researcher asked a series of interactive semi-structured questions about what Board Member experience meant to each personally. Each was also asked how they would describe this experience on others. The information/data being sought was the participants own interpretation of the questions asked. The interviews were reflective in nature and used open ended questions or requests to describe or clarify what was said and meant. This allowed for the inclusion of new data as it arose. Themes which arose during the interview were restated back to the participant for validation of the researcher's interpretation.

### 3.1.6 Data Collection – Interview Notes

Data collection was done through taking hand written notes during the interview. The interview notes were re read and notated within six hours of the interview. The interviews were then typed up within 24 hours of the interview. Hand written notes do have a risk of selective bias but also allow for better control of confidentiality issues i.e., the notes might state "went public" where the information given by the participant included the topic made public, and names of people and organisations involved. Using handwritten notes it is easy to avoid recording names of organisations and individuals and also easier to add coding notes to the transcript as you go (Glaser & Strauss, 1999). This approach raises issues. The researcher can place their own bias on the information recorded through choosing what to

write down and what not to. Some participants can speak quickly which can make capturing verbatim dialogue difficult. Listening, asking questions, writing notes and keeping track of interview schema all at the same time can also be also difficult and may slow the flow of the interview.

### 3.1.7        Data Analysis

The data analysis framework follows that expected of a grounded theory methodology.   The research is both iterative and progressive to allow for both the inclusion of new data and the validation (or repeated inclusion) of categories introduced and discussed during the interviews. Thematic analysis and constant comparative method was used to identify patterns, concepts, categories, and properties. The use of constant comparative method is an iterative process and involves the following aspects/flow. This has been derived and summarised from Corbin and Straus (1990, 1998).

- Obtain/gather data from observation (interview).
- Study the data – (conceptualise or abstract) identify patterns, and concepts.
- Make a decision as to the shape of the continuing research framework.
- Get new data from next/new observations.
- Compare new data with earlier data.

Components, categories, properties and hypotheses are built along the way. At the end of each analysis segment (at the end of each interview) decisions were made as to the shape of the continuing research framework i.e., would the next interview:

- Dig deeper into the topic – gain richness.
- Incorporate elements of verification, review for internal consistency and logic.
- Further explore new/developing themes – test relationships between the data and the categories, properties or attributes.
- Incorporate a mixture of the three above dependant on the maturity in the development of the categories.

This process continues until  a stable pattern forms from which meaningful conclusions can be generated, or from which a formal or substantive and a

strong but parsimonious theory can be proposed (Corbin & Strauss, 1990; Wells, 1995). Thematic analysis and constant comparative method was used to identify patterns, concepts, categories, and properties. From these, preliminary propositions were tested and an initial theory developed.

During the initial interviews similar statements were labelled and grouped. From these groupings a series of concepts emerged. As more data became available these concepts were strengthened, through repetition by other participants, and tested/rounded, through the researcher asking additional questions related to the concept. As the interviews progressed three broad categories emerged and could be related to a central phenomenon (core category). The properties and dimensions of the concepts appeared to be related to the positive or negative perception (or expression) of the associated concept. The data was re-read several times before a stable set of categories and concepts evolved. This occurred approximately half way through the interviews. In the later interviews the properties and dimensions were tested and a fourth category emerged.

A summary of the categories, concepts, properties and dimensions are included in the table below. The details relating to these are described in the results section.

| Categories | Concepts | Properties and dimensions |
|---|---|---|
| Contribution to Board process | Concepts relating to contribution to board process | Negative, positive, neutral |
| Understanding and knowledge | Concepts relating to understanding and knowledge | Negatively used / positively used |
| Internal drivers | Concepts relating to internal drivers | Negatively or positively perceived Leave or stay moments |
| Hard Decisions | Single concept category | Absence or presence of capability/willingness |
| Central phenomenon (core category) = Contribution to a quality decision. | | |

TABLE 7: SUMMARY OF CATEGORIES, CONCEPTS, PROPERTIES AND DIMENSIONS .

### 3.1.8 Ethics

Ethical considerations related to confidentiality of the participants and the sensitive nature of information which may be imparted within the interview. Ethics approval for research involving human subjects, was submitted and approved prior to undertaking the research. Participants were provided with details prior to the interview which outlined expectations and responsibilities around privacy, confidentiality, their participation, the expectations of the research and their part in the research process. The principles and guidelines provided by the AUT Ethics Committee were incorporated into these details. Participation was voluntary; the participant could withdraw from participation at any stage up to the completion of data capture as outlined in the consent form.

Aside from describable outcomes related to the research topic, all specific details discussed during the interview were treated confidentially and have not been detailed and no persons have been named in any written or communicated documentation. All efforts were made to ensure that references to events or other persons were not identifiable in any way in the published research results.

### 3.1.9 Presentation of initial findings

The initial findings of this study were validated by two mechanisms. A working summary of findings (see Appendix B) was presented to participants (in later interviews) towards the end of the interview and feedback was requested. Three participants were involved in reviewing and proof reading of early drafts, and feedback was integrated into the analysis process.

### 3.1.10 Presentation of results

The information is presented in tables, diagrams and text descriptions. Numerical information has been included and an explanation given as to the interpretations of the data. Where appropriate, quotes have been included. Due to the confidential nature of the information quotes are presented

without reference to the participant. The researcher's comments are included within brackets.

## 3.1.11    Reliability/Validation/Repeatability

The reliability of the outputs from this research can be deduced from the similar responses given by each participant. While the sample size is not large, the similarity of the responses (many between 80% and 90%) across what is a very diverse sample presents a compelling case for reliability and repeatability. There was a deliberate attempt at validating the answers given by each participant, through rephrasing and restatement of the questions, and testing initial interpretations.   The initial questions had also been designed to support and test the responses.  i.e., it might be expected that the lessons learned and the experienced gained by the participants would have some similarity to the attributes they considered representative of an experienced Board Member.

Classification of the initial responses needed some form of rigour as attributes did not necessarily stand scrutiny when tested for validation, e.g. participants often ascribed the attribute 'listens' to an experienced Board Member, yet 'listens' is precisely what our group did in their first few months as an inexperienced Board Member. Testing/validation involved clarifying the properties and dimensions associated with concepts,

## 3.2 METHODOLOGY INTEGRATION AND INFLUENCE ON RESEACH

This section describes some of the interactions the methodology has had with this research in terms of questions and issues which have arisen. Influences and the rationale for some of the resulting decisions made during the information gathering process are also described.

The original title and focus of this research had been centred on 'Directors'. Not all Board Members are Directors, not all those who contribute directly to the Board environment are designated Board Members. e.g. Company Secretaries and Local Authority executives. The purpose of the research was to identify repeatable/reportable patterns which could be utilised and developed to improve Board Member learning. The scope was adjusted to include those who regularly participated in Board meetings and the governance process. The definition of Board Member is given in the introduction to this thesis.

By the fifth interview some strong patterns had emerged and a decision was made to split the emergent data into two parts based on the patterns which had been identified. Responses around the perceived attributes of an experienced Board Member were well suited to continuing the grounded theory approach of developing categories, concepts, dimension and properties. Responses around Board Member learning and learning events were more empirically and explicitly stated e.g. was there mentoring? - yes/no.

The grounded theory approach was continued for generating an inductive theory about the perceived attributes of an experienced Board Member. Information relating to Board Member learning and mechanisms associated with learning have been grouped and similarities and differences within the data and in comparison to the literature have been described in the results section.

# 4.0  RESEARCH RESULTS

This section describes the composition of the participant sample and then goes on to describe the results associated with Board Member learning, the mechanisms associated with Board Member learning and the perceived attributes of an experienced Board Member. A discussion of the participant sample is included in this section. The discussion of the results occurs in the subsequent Discussion of Results section.

## 4.1  Participant Information

Characteristics of the participant sample are detailed here followed by a short discussion.

### 4.1.1 Characteristics of the participant sample

- Total participants: 9
- Total interviews: 12
- Gender: 4 Female, 5 Male
- Ages now (at interview) – Range 43-77
- Age at which first became a Board Member: Range 28-44
- Number of years as a Board Member: Range 5 – 40
- Total years on Boards = 232 (due to concurrency)
- Six of the nine participants had exposure to more than one Board
- Three of the nine participants had been Board Members across three or more organisation types.
- Six of the nine participants were Executive Board Members in their first exposure to Boards.
- The gender ratio F:M of the participant sample is higher than the ratio for Boards in New Zealand generally and much higher  than the ratio in private and publicly listed organisations in particular.
- All participants had been Board Members of organisations responsible for large numbers (200+) of employees or volunteers.

| Organisation type | No. of participants | Number of years as Board Member | |
|---|---|---|---|
| | | NED* | ED** |
| Private Company | 3 | 14 | 23 |
| Publicly listed Company | 3 | 13 | 2 |
| Cooperative, Mutual, employee-owned entity | 4 | 26 | 11 |
| Other – Joint Venture (JV) | 1 | 2 | |
| SOE | | | |
| Crown Entity | 2 | 15 | 5 |
| Charity, Trust, Commission | 2 | 47 | |
| Local Authority | 1 | | 12 |
| Other  - Sport and Rec, Schools, Education | 3 | 65 | |
| *NED – Non-Executive Board Member    **ED – Executive Board Member | | | |

TABLE 8: SUMMARY OF PARTICIPANT DETAILS – NUMBER OF PARTICIPANTS AND NUMBER OF YEARS AS BOARD MEMBER VS ORGANISATION TYPE.

Tables 8 and 9 are a summary of participant details sheets filled out by the participants The organisation types are as described by van der Walt et al (2002) with Joint Venture (JV) added by one of the participants.

| Organisation type | First Board appointment | |
|---|---|---|
| | NED* | ED** |
| Private Company | 1 | 1 |
| Publicly listed Company | | 1 |
| Cooperative, Mutual, employee-owned entity | | 2 |
| Joint Venture (JV) | | |
| SOE | | |
| Crown Entity | | 1 |
| Charity, Trust, Commission | 1 | |
| Local Authority | | 1 |
| Other - Sport and Rec, Schools, Education | 1 | |
| Totals | 3 | 6 |
| *NED – Non-Executive Board Member    **ED – Executive Board Member | | |

TABLE 9: FIRST BOARD APPOINTMENT (NED OR ED)

| Educational Background | Number of participants |
|---|---|
| Technical, Engineering or Scientific | 2 |
| Legal | 2 |
| Accountancy | 1 |
| Other or not known | 4 |

TABLE 10: PARTICIPANT EDUCATIONAL BACKGROUND

The information for Table 10 (Educational Background) is derived from information provided during the interviews. This information was not specifically sought during the interviews.

## 4.1.2 Discussion relating to the participants' characteristics

Filling out the participant forms often generated some discussion as to whether the terms in the forms applied to themselves or not, or, what was specifically meant by the terms. The participants themselves appeared to have very different interpretations on;

- Who might have been considered a Board Member

- Whether or not they were a NED or an ED

- The sorts of organisations which might have been considered suitable for the research and

- What might be considered to be a Board

Participant interpretations differed from my original expectations and also from each other. It was observed that the notion of a Director and a Board seemed to engender, pre-eminently, comments and expectations of private and public company Boards. Non Government Organisations (NGO's) appeared as an afterthought, Crown Research Institutes (CRIs) and State Owned Enterprises (SOEs), were difficult to classify. School Boards and community or sporting organisations were not immediately perceived by participants as being relevant to this research.  Some participants did not think (or immediately consider) that a school Board might be of interest for this research. The inference was that only private company or public company Boards and Directors were important (worthy) and that other Boards were less important or somehow did not count as 'real' Boards.

These perceptions may be relevant to any perceived importance of Board Member learning. If being a Board Member on a school Board is perceived as being less important than being a Board Member on a Company Board, then is there an associated influence on Board Member learning or the attributes we might associate with an experienced Board Member? The results of this research do not appear to support this last question/point. This difference in perception may be a reflection of the volume of literature and publicity associated with Company Boards and Directors versus that of other governance bodies. These differences in perception were not considered part of the scope of this study but may make an interesting future study.

## 4.2 Board Member Learning

Opening a discussion about learning often led to a discussion about training. Training for the role was discussed often in terms of its absence. During the interviews the topics of courses and mentoring arose naturally. Meaningful events were easily identified in narrative but also proved difficult (for participants) to relate to any specific learning having been gained. Attributes of an experienced Board Member were described by participants in both positive and negative terms. The negatives were often actually attributes of poor Board Members and did not always relate to inexperienced Board Members. Described and observed attributes of other Board Members who were perceived (by the participants) to be experienced and/or poor Board Members were richer in description compared to discussions around learning. Table 11 below is a summary of the participants' descriptions of their Board Member learning.

| Participants' descriptions of personal learning | Specifically Mentioned | Comments |
|---|---|---|
| Development of self confidence in Board processes and protocols | 8/9 | Two participants had exposure to Board processes for some time prior to taking formal Board role |
| Not mentored (initial years) | 8/9 | Two participants mentioned support from one other person during their initial period. |
| No courses (prior or initial years) | 8/9 | |
| Learning through observation of others | 7/9 | |
| Additional learning through self motivated initiatives, e.g. reading | 7/9 | |
| % of meaningful learning events related to dissension within the Board or dismissal of the CEO | 90% | 65% dissension 25% change of CEO |
| % of other meaningful learning events. | 10% | Related to Board initiated organisational change |

TABLE 11: DESCRIPTIONS OF PERSONAL LEARNING

## 4.2.1 Initial learning

The initial learning experiences described by the participants were around gaining the self confidence needed to contribute to the Board discussion and becoming familiar with the protocols and procedures of the Boardroom. This learning was done mostly through personal observation. When asked what they felt was the difference between their initial level of experience and their current capability as a Board Member the responses were around gaining confidence and gaining understanding of the Board processes, and protocols. The main mechanism used to gain understanding of the new environment was observation of other Board Members.

- "*Self confidence*" was the first response by two participants
- "*Listen and learn for the first few meetings*"
- "*I observed the directors and the processes*"
- "*I observed others' techniques*"
- "*Very much the observer … Intimidating at the start*"
- "*Mostly intimidated by the process …. not knowing the procedures and protocols… It took 6 months before I contributed*"
- "*I sat and listened*" .. "*it takes time before you are prepared to speak up and question*"
- "*It was learn as you go*".

A few skills were mentioned such as

- "*getting to grips with the financials*"
- "*assessing what I needed to know*"
- "*learning to filter agendas*".

*"Realisation of the consequences of the role"* was mentioned by one participant and conversely realisation that other Board Members did <u>not</u> understand the consequences of the role was mentioned by others.

- "*responsibility is more than just a signature at the end of the year… often SME's* (Small and Medium sized Enterprises ) *can go two years before they realise the annual accounts have not been filled out*"
- "*not all directors understand* ( their liability as directors)"
- "*the look of horror as it dawned on them that they were in a legally binding process and they could not just bungle along*".

## 4.2.2 Preparation for the role

Participants mentioned a lack of training or preparation for the role. A few mentioned a feeling of unease in their initial Board meetings. This unease prompted some to engage in activities which helped them understand their new role, for some this was gained through reading, for others this was by helping others through the same transition.

- *"I was put on the Board and I was bothered because there was no training. I wanted to learn about governance….I also thought the role of the ED was untenable* …. (due to filtering of information presented to Board) *I started reading about governance".* This Board Member has an active interest in governance, reads articles and has been asked to mentor others.
- *"Only prep given for role was a paper written by a management consultancy on the obligations of directors"* .This participant has since been trying to coach the newer Board Members through the initial transition phase.
- *"I saw a lack of independence, others not acting in the interest of the Board … I learned a lot of things by observing things and didn't like some of the things I saw".*
- *"I did my own reading"* (on governance role).
- (Governance learning was) *"self initiated".*
- *"I did my own assessment of what I needed to know".*

The Local Authority participant and one of the Crown Entity participants stood out as being the only ones who had others take an interest in their development. In these instances development was described as being part of the culture of the organisations in question. The support was not described as mentoring. Local Authorities are required under statute for Board Members to attend 'code of conduct training for local government'. This is training in reaction to an appointment as apposed to preparation for the role. Local authorities may also engage in inductions and in presenting a considerable amount of educational material to Board Members to help them understand the issues that they are deciding on. One Crown Entity

participant mentioned *"there was a little line in the budget for board members to develop skills and I took advantage of this"*. The rest of the participants had no mentoring or training prior to their first Board role. A few felt they already understood their responsibilities as a Board Member as a result of understanding gained through their earlier roles/work, in law, accountancy and public policy. These roles included a need to know some of the statutory requirements for organisations.

**<u>Mentoring, Courses and Induction</u>**

In the early interviews the topic of mentoring was raised by the participants. In the later interviews questions on mentoring were specifically asked if the topic had not already been raised. Two of the participants thought that the lack of mentoring might be a generational thing. (Mentoring was) *"not done in our day, …. we came out of a generation when no one taught us how to play golf, we found out for ourselves"*. These two were the oldest of the participants but their overall experiences in terms of mentoring and training appeared little different to the other participants. Where the participant's initial appointment might have had a component of sponsorship a follow up question asked if there had been any element of sponsorship into the role. This question also met with "no" as a response.

Some participants mentioned their mentoring of other Board Members. This was generally expressed as a volunteered attempt to aid new Board Members into the role and was raised in the context of their own previous experience of having *'been dropped in the deep end"* without any real guidance. One participant, who had spent a large number of years on multiple Boards, had been asked to mentor fellow Board Members. This participant mentioned the need for clarity around roles and expectations and transparency with other Board Members if mentoring was to occur as this could bring into question the relationships between Board Members. This participant considered personal familiarity and lack of professional independence between Board Members as issues to be avoided.

Directorship courses were also discussed. Four participants had attended directorship courses but these were subsequent to their first appointment.

Two participants made the comment that *"while worthwhile' the courses felt more like networking than learning"*. Two commented that the Chairing-the-Board course had been of some value – the value was not expanded on and was not investigated further. One participant mentioned that the course attended confirmed his expectations of the role. One participant (who had not been on a course) said she had considered courses as an option when wondering how to address a difference in understanding by fellow Board Members as to the obligations of the Board but the suggestion of going on a course had not been met enthusiastically by the other Board Members. This experience was echoed by another participant who made the comment that Board Members had discussed both the idea of IOD courses and also the inclusion of more NEDs. The other Board Members could not see any benefit in either suggestion. Those who attended courses did so by their own initiative. There was no involvment by the Board in the decision.

It should be noted that the costs of training for a Board or for Board Members would generally have to be approved by the Board and CEO. Costs may have to come out of operational funds so a 'case' or justification for the expenditure might be needed. This was mentioned by a not-for-profit participant as a potential hurdle to Board training. One participant chose to attend an IOD course because he had access to training funds. Another did so because there were allocated funds available for Board Member development.

None of the Board Members mentioned having been through an induction process themselves. Some may have experienced inductions but if they did none saw fit to mention induction within the context of the interview or in relation to learning or gaining experience. No specific questions were asked of the participants about induction. Where participants spoke about induction, it was about prior exposure to the organisation in some manner or the need for prior due diligence before accepting a Board position.

**Summary – Preparation for the Role**

The initial learning experiences for Board Members are likely to be around understanding and finding confidence in understanding Board protocols and processes. New Board Members are unlikely to be mentored or trained prior to their first Board role. If an induction does occur then it is not likely to be perceived as adding to a Board Members accumulation of experience as a Board Member. If Board Member training is not required, encouraged or overtly funded then training is likely to be self initiated and self funded, or funding may have to be negotiated.

## 4.2.3 Building Understanding and Knowledge

Experience is a combination and balancing of tacit and explicit understanding induced from an activity or event. While the events were relatively easy to describe, all the participants struggled with describing the learning which came from these events. The initial learning experiences were derived from developing confidence and understanding in Board activities, protocols, and procedures.

**Observation**

Despite debate and dialogue being a large part of the Board environment, the main mechanism for initial learning appears to have been observation.

- *"Listen and learn for the first few meetings"*
- *"I observed the directors and the processes"*
- *"I observed others techniques"*
- *"(I was) very much the observer … Intimidating at the start"*
- *"I sat and listened".*

The experiences described to the researcher appeared to be observational and focused on the interpretation of Board dynamics. No one said "Another Board Member described ….. and I learned ….." or " I read the Board papers and learned …"  None of the learning described by the participants appears to involve the assimilation of explicit knowledge within the Board environment. This may in fact happen but if it does occur it was not

acknowledged or considered meaningful in terms of the participants own development as Board Members.

Some of the participants exhibited a clear desire to have a more explicit understanding of the Board processes and protocols. Some assimilation of explicit knowledge did occur (but outside the Boardroom) with a few of the participants describing self motivated reading around the governance topic. This desire to make the initial learning experiences more explicit is clearly demonstrated in the difference between the described initial learning experiences, which were few and described in general terms, and the perceived attributes of an experienced Board Member, which are more specific and detailed. The former is a description of the development of tacit knowledge and the latter is an attempt at describing this knowledge explicitly through more detailed description of specific elements which might contribute to the initial conceptual understandings.

## Community of Practice (CoPs)

Participants described examples of personal change and reflection during learning but gave no specific examples of knowledge sharing or knowledge creation. Meaningful learning experiences appeared to have been personal. No obvious dialogue, discussion or development of understanding with others appeared to have taken place. There were strong and clear responses to the topic of Communities of Practice and knowledge sharing being the basis of a Learning Organisation. However the diversity in the responses works against forming a clear pattern. There was clear disagreement as to whether the Board should have responsibility in generating knowledge or new ideas. There is also clear disagreement as to whether strategy formulation is a Board function. Some participants interpreted the questions relating to CoPs (specifically knowledge sharing and knowledge creation) as being related to the Board generating strategy and did not appear to consider that outputs of CoPs, other than strategy, might occur.

For one participant the Board was more an environment of information exchange and knowledge sharing or creation had not been part of her

experience. Two participants described the structural situation which exists (the confidentiality of Boardroom discussions) meaning Board Members have little chance to 'cross pollinate' understandings with other Board Members outside their immediate Board. They further expanded that the Chairperson role had a heavy influence on whether a 'sharing' environment was created in the immediate Board situation or not.

- *"The Board environment is not one of sharing and growing knowledge. The main purpose of a Board is to get agreement not a compromise".*
- *"It (CoP's) doesn't happen much. Directors work in isolation though some directors do sit on multiple Board. You can get huge growth out of workshops, meetings, training sessions .. (but) you need the Chair to facilitate and allow this to happen".*
- *"Good Boards break new ground".*
- *"A good operating Board can do amazing things".*
- *"Committees spend time together, learn together, work together (but) taking their friends* (reference to Board Members who appoint 'mates' from other Boards) *does not grow ideas"* . This participant mentioned that you can get the same ideas perpetuated across many organisations through some Board Members who are on multiple Boards.
- *"Board process is largely an exchange of information with the intention to inform the owners of the business"* (i.e. not a knowledge sharing process).
- *"The Board should be above the learning layer – this belongs in management".*
- *"The role of the Board is not seen as generating strategy - just working with it, clarifying, testing, monitoring. Strategy is an executive function. Benefit (of CoP) to the Board is being comfortable with each other and therefore more effective. Experienced Board Members add to the process. At the conclusion (of the process) you feel that it (the decision) has been improved as well as confirmed".*

- *" It's (CoPs) not relevant -* (in relation to observation of large public Board there can be *).. a huge executive commitment* (depth of executive professional expertise and understanding) *versus a professionally lightweight Board"* (elected, diverse background and lack of depth and understanding of information put before them).

- *" It's (CoPs) absolutely relevant. Strong culture of learning.* (The Local Authority participant gave examples of the Board creating new outcomes).

- Similarly another participant said *"you get experience and knowledge transfer when people have something to contribute and are not just ticking the reports".*

- *"We invested in organisational learning and there was a conscious attempt by the Board to build a learning organisation".*

The Local Authority and Crown Entity participants gave examples of Board Members taking learning from one Board arena into another Board and organisation. Each example was one of benefit to the second organisation.

The participant responses to questions about CoPs, knowledge sharing and knowledge creation were diverse and at times contradictory. The participants were also clear and eloquent in their responses relating to CoPs, and this clarity contrasts with the difficulty participants had in describing their early learning experiences.

## Summary – Building Understanding and Knowledge

It would appear that learning gained by Board Members is done through observation of other Board Members and maybe supported through the interpretation of written materials which the Board Member has been self motivated to read. The ability of a Board to create better outcomes can occur whether or not the perceived role of the Board extends beyond performing oversight and includes creating strategy. Individual Board Members with extended experience and contacts can contribute to novel or new outcomes. However there were few examples of learning from shared experience and knowledge exchange. There are also questions as to the place of knowledge creation within the Board.

## 4.3  Mechanisms for learning

Experience is a combination and balancing of tacit and explicit understanding induced from an activity or event. The events associated with the learning experiences of the participants are discussed in this section.

In the literature review potential mechanisms or events which might lead to learning were identified and summarised in Table 5.  One of the questions asked of the participants was to describe any meaningful events or happenings which they believed led to their growth or understanding as a Board Member. Meaningful experiences were easily described in narrative and were obviously a source of some emotional depth.

| Potential Mechanisms or Events from Table 5 | Actual Events (number of instances described by participants) |
|---|---|
| Associated with internal actions/events?<br>✓ The fulfilment of fiduciary responsibilities<br>✓ The workings of the Board (Board meetings, discussions..)<br>✓ Relationships within the Board<br>✗ Relationships within the organisation<br>✓ Other internal situations or events | Change of CEO (7)<br><br>Dissension within the Board (13)<br>• Breach of Board protocols (7)<br>• Leave or stay moments (6)<br><br>Transformational change of business (2) |
| Associated with external actions/events?<br>✗ Changes in fiduciary responsibilities<br>✗ Changes in the marketplace<br>✓ Working with other organisations<br>✗ Relationships external to the organisation<br>✗ Other external situations or events | Merger (1) |
| Associated with success or failure?<br>✗ Personal achievement<br>✗ Personal challenge/failure<br>✓ Board achievement<br>✓ Board challenges/failure | Board achievements (2)<br>Board challenges (7)<br>Board failures (14) |
| ✓ Examples described by participants<br>✗ No examples described by participants | |

TABLE 12: MECHANISMS OR EVENTS CONTRIBUTING TO BOARD MEMBER EXPERIENCE

Each participant volunteered between two and four meaningful learning experiences associated with events and activities. These are summarised in Table 12 and compared with those identified in Table 5. All but one of the events identified were associated with internal actions/events. All but two of the events were associated with 'Board challenges' rather than Board success. Combined with this was the observation that challenges were more easily articulated than success. It should be noted that while the participants could readily identify meaningful events which they associated with their development of experience, there was little or no corresponding description of the associated learning. Similar to the observations made earlier in 4.2.3.1 No one said "This event happened ….. and from this I learned ….." or " the experience/learning I gained from this event was …"

Out of the twenty three experiences volunteered most were in relation to internally focused events:

- Thirteen were about dissension within the Board.
- Seven were about failures in internal Board processes. These included Board Members staging an internal coup, serious breaches of Board protocols and Board Members failing to buy into the collective responsibility of a decision and in some cases this meant Board Members going public in some way.
- A further six were about "leave or stay" moments for the participants themselves or other Board Members. These included watching other Board Members being "squeezed out" or ethical dilemmas where the participant felt that they were being asked to agree to something intrinsically wrong. The examples given were breach of law, breach of the spirit of the law, breach of the Board constitution, or something at odds with the fundamental principals of the organisation.
- Six were about dismissing the CEO (or equivalent) and one about a change in CEO.
- Only three events/mechanisms were about organisational initiatives and only two of these were viewed as an achievement.

Examples given of meaningful events were likely to be associated with challenges or perceived Board failure than events associated with success.

Reviewing the continued employment of the CEO (or equivalent) is a core responsibility of a Board and ending that employment is both an important decision and a challenging one. It was also seen by participants as a 'hard decision', particularly so in two instances where the CEOs were personally liked but were also seen as not performing in their roles. In the other instances the decision was more an obvious step and less conflicted but still needed work in achieving Board consensus. Outside the dismissal of or change in CEO the rest of these results seem focused on events perceived as Board failures. There is no doubt that each of the participants took part in positive Board activities and positive organisational outputs. In fact positive activities and outputs were mentioned during the interviews but these were not the examples given when asked about meaningful events. I have included the word failure in the Board challenges due to the real sense of frustration conveyed by the participants when describing these events. These events were interpreted as events which should NOT have happened or should NOT happen.

The events associated with Board achievements were examples of fulfilling specific strategic objectives. The events were described as hard work for all involved but also as providing a sense of accomplishment at their implementation. In these instances there was some description of learning having taken place. The identified learning was associated with becoming familiar with the commercial or structural intricacies required to facilitate the organisational changes.

In summary, it is likely that the more meaningful events a Board Member will encounter will be around Board related challenges associated with internal actions/events of the Board. The greatest challenges Board Members will face are likely to be associated with dissent or overcoming dissent within the Board. Board challenges are likely to be more meaningful (and more memorable) than Board achievements. While meaningful events are easily identified in contributing to the development of Board Member experience the learning from these events was not easily described.

## 4.4   Perceived attributes of an experienced Board Member

### 4.4.1 Introduction

The participants were all asked what sorts of skills or attributes that they thought contributed to a Board Member being thought of as experienced. The common theme around all the identified attributes was in their use to achieve a quality agreement, i.e., attributes which denote experience are those which contribute in some way to the quality of an agreement or Board decision. Merely agreeing, saying 'yes', or 'going along with', was not perceived by participants as contributing to a quality agreement. Within the observed theme of contribution to a quality agreement' the following categories and attributes were identified:

| Category | Attributes |
|---|---|
| Contribution to Board processes | Participates (inquires/tests) <br> Debates <br> Prepares <br> Rational <br> Perspective <br> May strategise outside meeting <br> Listens <br> Seeks the opinions of others <br> Filters or gets to the relevant point |
| Understanding and Knowledge | Understands collective responsibility <br> Common sense of purpose <br> Business acumen <br> Understands organisation and environment <br> Understands governance role |
| Internal Drivers | Holds to core values <br> Independence |
| Prepared to make Hard Decisions | (no associated attributes) |

TABLE 13: SUMMARY OF CATEGORIES AND ATTRIBUTES ASSOCIATED WITH PERCEIVED 'EXPERIENCE' IN BOARD MEMBERS

The rationale for the distinction between the categories is described in the following discussion of each category.

## 4.4.2 Contribution to Board process

| No. Participants who Mentioned attribute | Attribute (positively expressed) | No. times mentioned | | Attribute (negatively expressed) |
|---|---|---|---|---|
| 8/9 | Debates | 8 | 0 | |
| 7/9 | Participates (inquires/tests) | 5 | 3 | Yes man/ticks boxes/rubber stamps decisions |
| 6/9 | Filters information Gets to the points quickly Can see bigger picture Will consider consequences Filters agendas | 10 | 9 | Includes materials outside remit May not see larger picture Argues the smaller points Misses the point Argues the wrong points |
| 8/9 | Prepares | 7 | 3 | Doesn't prepare |
| 8/9 | Rational | 3 | 7 | Not rational. Emotional, aggressive, loud, adversarial, displays inappropriate behaviour |
| 7/9 | Has an open perspective Uses persuasion | 6 | 4 | Holds position – not open to persuasion Negotiates |
| 6/9 | Listens | 4 | 2 | Doesn't listen |
| 5/9 | Seeks the opinions of others | 5 | 0 | |
| 5/9 | May strategise outside meeting to get agreement | 5 | 0 | |

TABLE 14: CONTRIBUTION TO BOARD PROCESS

The category of *Contribution to Board process* includes those personal attributes which facilitate (or hinder/obstruct) the process of reaching an agreement. None of these attributes are technical skills, skills gained through the education system or even skills unique to organisations or positions. These attributes contribute heavily to the healthy functioning of the Board process. This category has been broken into the nine attributes above based on specifically mentioned words or phrases. Many of these attributes overlap, support, or work with each other. The attributes are discussed here.

## Debates and Participates

Being positively involved, actively contributing, testing and debating decisions are seen as attributes of an experienced Board Member whereas the negative expressions of these attributes (i.e. not being involved, not debating, not participating) were perceived as being indicative of both a poor Board Member and a poor Board process. Simply agreeing without showing any personal input was also viewed negatively. There was some acknowledgement that inexperienced Board Members might not contribute in their first few meetings.

- An inexperienced Board Member might be observed as a *"stunned mullet…., say little, contribute little, spend time observing…. seeks information …. seeks clarification".*
- (Inexperienced Board Members) *"want to add value, ask questions to upskill themselves… listen to learn".*

This is in comparison to a poor Board Member.
- *"Half of directors are spineless and not challenging".*
- *"Poor directors are not prepared for meetings, just passengers, yes men and are not assisting the process".*

The comments made about poor Board Members just agreeing and not participating were generally observed as full of emotion and appeared to tend toward anger as opposed to frustration.

## Filters information and gets to the relevant point

Understanding what is and is not relevant was regarded as both an initially learned skill and a valued observed characteristic. Getting to the relevant points quickly and accurately was seen as important and was also valued. Spending time on material considered as irrelevant or outside that which has been presented to the Board perceived negatively.
- *"Some miss implications, get lost in the logic of what they are doing"*
- (Poor or inexperienced Board Members) *"can't follow Board papers, can't get to the point of the Board papers, and sometimes don't get the bigger picture".*

- (Poor or inexperienced Board Members) *"don't ask questions, or are asking inappropriate questions, or commit to decisions not based on what (information) is before them".*
- (Poor or inexperienced Board Members) *"miss the point or are off at a tangent".*
- (Poor Board Members*) "Bring in material outside the remit of the Board meeting".*

The comments made about Board Members being off topic were generally observed to include a sense of frustration. Frustration was also observed in participants' descriptions of the process, or the time it took to develop skills in filtering.

## Prepares

Preparation generally meant at least having read the Board papers ahead of time. Preparation could also extend to strategising outside the meeting,

- *"brokering discussions ahead of time".*
- *"prepare your understanding with others prior to the meeting".*
- *" I had to prepare speech notes and stick to the script otherwise you could miss the opportunity (to speak)".*

## Rational and has an open perspective

Having an opinion and view point was deemed acceptable as long as rational argument and declared intention were also present. It was also important that a Board Member was open to the rational arguments of the other Board Members and not just holding an end without room for being persuaded otherwise. In elected Boards where the Board Members might have some representational responsibilities, support for the electorate view was deemed acceptable (and even expected) but only if it contributed positively to creating a quality decision and was open to being worked with.

- *"You want someone who can stand their ground, argue their case, and then accede to democracy".*
- *"Discussion is pointless if either party is not open to persuasion".*
- *"There should be points of view but this does not need to be contentious"* (should not be adversarial).

- *"Dysfunction comes from self interest and own agendas"*.
- Board Members "*Should not be emotional*".

Being emotional, displaying inappropriate behaviour or including inappropriate materials were seen as attributes of poor Board Members.

- *"Aggression and loudness…*(is not appropriate, Board Members) *should be more distant from it"*.
- (Poor Board Members*) "Bring in material outside the remit of the Board meeting"*.
- (Poor Board Members have the attitude) *"the louder you speak the more right you are"*.

One participant mentioned a Board Member surfing the web while in a Board meeting and how this was deemed inappropriate and dealt with by the Chair.

The issue of family versus what was right for the organisation (in privately/family owned organisations) was also mentioned by two participants. In this area the difference between having an open perspective and having the ability to have an independent perspective could be blurred.

### *Listens*

The phrases 'listens' and 'does not listen' have subtly different meanings depending on whether the term is being to describe an attribute of another Board Member, or by the participants in their description of themselves in their initial exposure to the Board. 'Listens' in the latter case meant the action of listening; accompanied presumably by the personal and internal process of making sense of what has been heard or observed. 'Listens' as a description of others means that the other has demonstrated in some way (through actions or words) that they have understood what has been said or even what has not been said. Similarly 'does not listen' implies that the other has demonstrated through some action that they have not understood what has been said or did not hear what was said. One participant described not listening as:

- *"Not listening, not hearing and not understanding the views of others. Hearing comments but not the underlying hurt and anger"*.

While having listening skills was deemed important the instances of 'not listening' were probably more important and could have ramifications for the Board Member who was deemed as not listening.

- One participant related that the Board had "*got rid of the CEO. He would not listen*".

**<u>Seeks the opinions of others and may strategise outside the meeting</u>**

Seeking the opinions of others and strategising outside the Board meeting were often mentioned in relation to each other. Seeking the opinions of others was seen as important in big decisions, especially if other Board Members were perceived as not having bought into the idea or if a Board Member's opinion was valued but they were perceived as not being very confident in offering it. The role of the Chair was seen as important in facilitating/encouraging opinions in the Board meetings.

- *"Quiet people may not speak unless asked but may also have seminal perspectives… (they) may contribute greatly to discussion through incredibly thought- through observations".*
- *"One Board Member told me (in informal setting) that he felt like he wasn't making a contribution - but he had been and his input was really valued by the Board and Board Members - but he had not experienced this (appreciation of value) as feedback".*

One participant described a situation where discussion outside the Boardroom was highlighting a situation where views were not being sought within the Boardroom. This highlights the influence a Chair might have on drawing out (or not) the opinions of others.

- *"Some people were saying 'I think this' (outside Boardroom) but the process was not taking into account their views or thoughts"…. .A number of people were not voicing their views and not saying what needed to be said. …the whole thing was very intimidating (within the Boardroom) and only a couple of people were confident to speak".*
- (Experienced Board Members) *" are also very active behind the scenes. They broker discussions and agreement prior to meetings. They have sought a lot of advice".*

- *"Others have valuable points of view that don't see daylight at the Board"* This comment was made in terms of preparation for meetings and seeking opinions outside the Boardroom.

### 4.4.3 Understanding and knowledge

The category of *Understanding and knowledge* includes an understanding of the process, role, responsibilities, and purpose of the Board and the organisation. It is also complemented by general business understanding. Like the category of C*ontribution to the Board process* the attributes are deemed as positive where they contribute to the process of reaching an agreement, but in this category the attributes also appear to underpin the quality of the agreement output. None of the attributes are technical skills, skills gained through the education system, or even skills unique to organisations or positions. The attributes are more likely to have been gained through time in the organisation and an understanding of the necessities of a profitable business. Many of the examples of dissension within the Board arose from perceived breaches in the attributes within the *Understanding and knowledge* category.

| No. Participants who Mentioned attribute | Attribute (positively expressed) | No. times mentioned | | Attribute (negatively expressed) |
|---|---|---|---|---|
| 5/9 | Understands collective responsibility Seeks consensus / agreement. | 5 | 2 | Agreement conditional May not understand what agreement actually means |
| 5/9 | Understands governance role. | 5 | | |
| 6/9 | Passion for organisation- common sense of purpose | 4 | 5 | Self Interest/ego |
| 6/9 | Business acumen | 6 | | |
| 5/9 | Understands organisation and environment | 5 | | |

TABLE 15: UNDERSTANDING AND KNOWLEDGE

This category has been broken into five attributes based on specifically mentioned words or phrases. Many of these attributes overlap, support, or work with each other. Where this category differed strongly from the *Contribution to the Board process* category was in its areas of failure. Nearly a third of the meaningful learning events (seven of the twenty three) described by the participants were due to a failure in collective understanding. Having a common sense of purpose and showing collective responsibility could also have belonged within the *Internal Drivers* category but was included in the *Understanding and knowledge* category because its negative manifestation (self interest and ego) was seen to contribute to Board dissension.

### Understands collective responsibility and the Governance role

Understanding the governance role extended to understanding what a constitution was and what it meant as well as understanding the difference between the management role and the governance role. While achieving agreement appears to be the main goal of a Board, the understanding of collective agreement may best be demonstrated in the effort taken by some Boards to reach consensus and the impact of a breach of collective responsibility. One participant expressed the view that voting on issues was not achieving a consensus and that power and dysfunction come from a lack of true consensus.

- *"The reality is that we try and get consensus first and things only get put to a vote if consensus is not forthcoming… we probably get consensus more often than not but you remember the NOTs …issues come out of situations where consensus is not reached".*
- *"we are currently working through an issue which for the first time in memory there is not an agreement … one participant is not in agreement and the rest are trying to find a way to progress towards agreement".*

Four of the participants said that they understood collective responsibility and responsibility within the Board Member role prior to taking a formal place on a Board. Three came out of legal or accounting backgrounds, while the fourth had regulatory understanding gained from earlier roles. One of these

participants described the surprise and frustration felt that the rest of the Board did not grasp this understanding. There were two examples given of other Board Members going public (leaking information) where they did not agree with the Board decision. In both cases the leak had a serious impact on Board in terms of trust.

- *"It has generated a lot of distrust… huge break in confidence"*
- *"the rest of the Board felt betrayed".*

## Having a common sense of purpose and understanding the organisation and its environment

Having a common sense of purpose and showing collective responsibility overlap but 'having a passion for the organisation' was specifically mentioned.

- *"I am amazed at how selfless some individuals are …. Many would die for the company".*

One participant mentioned that while internal agendas do exist, most Board Members were motivated by doing the right thing for the organisation. Another participant thought that the best Board Members came through Not-for-Profit organisations because *"passion not money has pressed their buttons…(they have) fought for what they have won".* In these examples the Board Members were likely to be working or contributing in some manner in the operation of the organisation. Knowledge of the organisation and its environments was also seen as important.

- *"Directors should keep up to date with their own organisation, visit their own web site, understand the environment the organisation is in, understand the industry, attend seminars, company presentations".*
- (Boards members should have a ) *"demonstrated ability to adhere to a common purpose …show commitment through a common sense of purpose".*
- (Effective Board Members) *"have had tenure so have knowledge of the business… have read around and know more".*

**Business Acumen**

Where business acumen was described in any detail it tended to be in terms of understanding the financials.

- (Board Members) *"should be looking for key financial ratios, and if the company is solvent or not ".*

- (Experienced Board Members exhibit) "*commercial understanding".*

One participant described a characteristic of an experienced Board Member as "*Understanding the nuances"*. When asked if this was personal or financial nuances the reply was *"Mostly financial, for example the impact of depreciation and flow-on effects".* Understanding the presentation and relevance of the financial information was a stated learning experience for one participant. However, none of the participants said that Board Members needed to be accountants or have a financial background.

## 4.4.4 Internal drivers

The category of *Internal Drivers* includes 'Holding to core values' and 'Perceived independence'. Unlike the *Understanding and knowledge* category these attributes are personal. This category has been broken into two attributes based on specifically mentioned words or phrases.

| No. Participants who Mentioned attribute | Attribute (positively expressed) | No. times mentioned | | Attribute (negatively expressed) |
|---|---|---|---|---|
| 8/9 | Holds to core values Has a sense of wrongness / rightness | 10 | 4 | Easily influenced or 'yes man' |
| | | | | |
| 7/9 | Perceived as independent (may be NED), Divorced from management | 7 | 2 | May still be influenced by management, Work in the business, looks at day to day stuff Self interest |

TABLE 16: INTERNAL DRIVERS

Like the earlier categories the attributes are deemed as positive where they contribute to the process of obtaining an agreement. These attributes are

seen to underpin the quality of the agreement output. Unlike the earlier categories however, dissension here is likely to create a 'personal' dilemma for the Board Member as well as being seen to work against good governance. The perceived lack of these attributes in other Board Members and the presence of these attributes in the primary Board Member is likely to lead to a 'leave or stay decision' being considered by the primary Board Member.

Note: I debated as to whether independence should be included in the *Understanding and Knowledge* category and in many ways it could have fallen into either category but in the end I included it in the *Internal Drivers* category primarily because of the meaningful events associated with this category (e.g. lack of observed independence in other Board Members) were likely to create an ethical and personal dilemma for the primary Board Member. This in turn created leave or stay decisions.

## Holding to core values

Many participants made comments indicating experienced Board Members have a sense of 'being true to self, doing the right thing, having the courage to stand on convictions' but that these could be tempered by the reality of the Boardroom mix.

- *"being prepared to say this cannot carry on…. (can be) .. very tricky if other Board Members are shareholders".*
- One participant felt conflicted when the discussion and decision went against the constitution. This was similar to another participant's description while in a company secretary role*. "The role could be career limiting when advising 'no' too often"* (including when advising not to breach an Act).
- Another said *" you know the answer is wrong after 20 years experience, you just know the answer is dumb or isn't right*".
- Another related a situation where a Board *"had political games going on"* which led to poor rigour in process and debate around an area which the participant saw as illegal. This resulted in the participant leaving the *organisation "I haven't enjoyed leaving, because this was something (the industry and org) which I am passionate about".*

SMEs, family firms and privately owned firms in particular stood out as difficult arenas for outside (NED) Board Members when it came to holding to core values.

- *"In a firm which was 100% owned by one person, two of the Directors (both external Directors) had different perspectives on how to grow the company. But there was only one choice – that of the owner".*

- *"I have observed a lot of peer pressure in Boards…. for some Boards and Board Members it's a choice, do they fit the culture….. if one person doesn't agree then they may get squeezed out".*

- "(*You*) *get a choice, silently observe, or go along, or question".*

- Another participant related an experience of a family firm where one of the working family members wasn't *performing "Incompetence in family (firm) is difficult … .(I) got out".*


## Perception of Independence

Independence was described as an attribute of an experienced Board Member. Independence meant the ability to make decisions without being unduly influenced by other Board Members or the current workings of the organisation. Where the role of the Board was seen as being an agency role, (oversight, testing and compliance), then the role of the executive Board Member was likely to be seen as a conflicted one with a high potential for a lack of independence. Some of the comments made by the participants reflected their views on the role of the executive Board Member in the governance within the organisation.

- *"Role of the Executive Director is untenable".*
- *"EDS stifle the Boards work through the filtering of information".*
- *"Congeniality is a risk"(* over familiarisation between Board Members and difficulty in filtering out roles).
- *"Executive Director is two different jobs and two jobs".*
- NEDS were perceived as *"more skilled".*
- NEDS "*have more perspective".*
- Executive Directors *"can't help but be less objective".*

- *"Poor (Executive) Directors look at the day to day stuff rather than setting goals and asking hard questions".*

Where an organisation might have a stakeholder approach to governance the issue was less that an ED would be perceived as less independent than a NED, but that a NED was perceived as more likely to have a better understanding of governance procedures and perhaps some commercial experience. It should be noted that organisational types which might have a stakeholder approach to governance often had different Board Member appointment processes to organisations with an agency approach (i.e. Board Members in stakeholder organisations are more likely to be elected.)

The perception of independence was not only related to being a NED or ED. The perception of hidden/personal agendas and self interest also played a part and independence also meant being able to put the organisation ahead of other influences.

- *"Lack of independence is not behaving in the best interest of the Board".*
- (There are) *"Lots of crooked directors. They think about themselves and not the company".*

## 4.4.5 Being prepared to make 'Hard Decisions'

A commonly mentioned comment made about attributes of experienced Board Members was the ability to make 'hard decisions'. This was often described alongside *holding to core values*. The difference between this category and the category of *Internal Drivers* is that being prepared to make a hard decision is demonstrated by action. Being prepared to make a hard decision begs the question what is a hard decision? Hard decisions were generally described as decisions which involved 'felt' consequences either for the Board Member personally (leave or stay moments) or the organisation and its employees (actions of the Board).

| No. Participants who Mentioned Category | Described as |
|---|---|
| 6/9 | Having the ability to make hard decisions, Willing to make hard decisions, Understanding or considering consequences |

TABLE 17: HARD DECISIONS

Hard Decisions were described by participants as ones which:

- *" Affect people and have consequences".*

- *"Impact on people".*

- *"Have huge consequences".*

- *"Sacking the CEO (was a hard decision) I liked the guy and had to divorce myself from this…. there was also the consequence of the loss of institutional knowledge".*

- *"Where you have a choice of leave or agree".*

- *"Leaving because it felt illegal".*

- *"I felt conflicted being asked to agree to something which fundamentally did not feel right".*

- (Hard decisions are*) "Decisions which have a high level of uncertainty, you don't know or can't predict the outcome".*

- *"Having seen the consequences of having committed to major purchases and direction (of organisation) and having seen the results…. (this is) having signed on the dotted line on hard decisions".*

- (An experienced Board Member) "*Seats-out the hard decisions*".

## 4.4.6 Link to Board Member Learning

None of the attributes associated with an experienced Board Member are necessarily technical skills, skills gained through the education system or even skills unique to organisations or positions.

Very few attributes associated with an experienced Board Member could be interpreted as corresponding with participants' description of their initial Board Member learning (as summarised in Table 11).

While self confidence was not specifically mentioned as an observed characteristic in other experienced Board Members, it could be interpreted as implicit in the attributes of 'participates' and 'debates'. Reflective of the need to have self confidence was a comment made by one participant: *"Contribution is self directed. Board Members are unlikely to be asked to contribute".* Understanding collective responsibility and the governance role were mentioned by participants during their discussions on meaningful learning events and understanding the presentation and relevance of the financials was a stated learning experience for one participant. But many of the attributes described by the participants as being indicative of an experienced Board Member were not mentioned by the participants as having been learned while in a Board environment. Holding to core values and being prepared to make hard decisions were also not described as being learned by the participants while being a Board Member, though these attributes were described as 'tested' while being a Board Member.

This implies that the attributes associated with an experienced Board Member could be attributes which a Board Member might already have prior to becoming a Board Member. Where, how and when these attributes might be developed is not clear.

### 4.4.7 Other observations

**Specific backgrounds or experience**

Noticeable by its absence was the mention of specific backgrounds or experience which might have been valued as a source of relevant learning. No participant specifically suggested accountancy or legal skills. The ability to read and understand financial information and to understand compliance or regulatory issues was mentioned but not in the sense that a Board Member needed to have the skills of an accountant or lawyer. Business acumen was expressed in general terms. A few participants mentioned that some Boards may appoint members with specific skills to either gain the benefit of these skills into the running of the business (as with SMEs) or perhaps as networking appointments. No-one suggested that a Board Member needed to have achieved a certain level of education, though one

participant suggested that tertiary level analytical skills were an advantage. No-one suggested that experienced Board Members should be past CEO's or have held any other organisational position. Three of the participants with Chair experience did suggest that the Board should be comprised of a good mix of people. 'Mix' was described as having a variation in perspectives as well as in background or experience.

**<u>Skills associated with the Chair</u>**

Skills associated with the role of the Chair were outside the scope of this research. Some observations in relation to the skills of the Chair did emerge as part of the research. The role of the Chair was perceived as being different to that of the other Board Members. When participants were asked to describe the attributes of an experienced Board Member they had worked with, the person described was also often a Chair.

How the Chair ran the meetings impacted on the exchange of knowledge and the participation of the other Board Members. One participant commented that "debate depends on the Chair …. the Chair sets the style …. (it is) intriguing to see the different styles of Chairs" (and the resulting dynamics).

The participants with Chair experience did not stand out as having very different formative Board or learning experiences, but did generally have more experiences to relate, possibly because they had spent more years on Boards.

One participant expressed concern when describing the possibility that a relatively new Board Member might gain the Chair position. The concern was not about the capability in the tasks of the role but around the ability to be able to manage the personalities within the meetings. This suggests that there may be additional learning associated with the role of the Chair, beyond that required for a Board Member.

## 4.4.8 Summary – Perceived Attributes of Experienced Board Members

Participants identified attributes which they associated with an experienced Board Member. The common theme of the identified attributes was in their use to achieve a quality agreement. Four categories were identified. These were:

- Contribution to Board processes
- Understanding and Knowledge
- Internal Drivers
- Prepared to make Hard Decisions

A number of attributes were identified and associated with the categories. There was strong agreement by the participants on the attributes identified. Only a few of the attributes, had commonality with the Board Member's initial learning experiences. This implies that a Board Member might already have developed these attributes prior to becoming a Board Member. Where, how and when these attributes might have been developed is not clear.

## 4.5  Summary – Research Results

The research questions asked were:

- What constitutes an 'experienced' Board Member?
- How is this experience conveyed to other Board Members?
- What have experienced Board Members learned?
- What have been the mechanisms in this learning?

The participant sample was diverse in career background, age, educational background and in the organisational types of which they had experience at Board level. Their responses to the research questions were remarkably consistent. Table 18 is a summary of the relationship between Board Member learning, perceived attributes of an experienced Board Member, and related meaningful learning events described by the participants in this research.

The attributes which constitute an experienced Board Member are those which can be used to achieve a quality agreement. The lack, or negatively perceived, use/portrayal of these attributes by Board Members was likely to be associated with being a poor or inexperienced Board Member. Experience is likely to be conveyed to other Board Members through the application of these attributes in helping the Board reach quality agreements and facilitating decision making.

A gain in self confidence, a better understanding of Board protocols and procedures, and the ability to better filter information were identified by the participants as skills which had been learned or had been developed during the initial years as a Board Member.  These skills have some correlation/link to the attributes associated with an experienced Board Member but are only a subset. There are a number of attributes associated with an experienced Board Member which were not explicitly or implicitly linked to skills which the participants described as having been learned in their initial years as a Board Member. Where, how and when these attributes might be developed is not clear. The results from this participant sample also suggest that formal learning/training for Board Members is not likely to occur and if formal

learning/training does occur then it is likely to be initiated by the Board Member and not the Board.

| Board Member initial learning | Perceived attributes of an experienced Board Member | Related Meaningful Events |
|---|---|---|
| **Contribution to Board process**<br><br>Self confidence to question<br><br>Understanding what was relevant and what wasn't. | **Contribution to Board process**<br><br>Seeks consensus/agreement<br>Seeks others opinions<br>May strategise outside meeting to get agreement<br>Will consider consequences<br><br>Confidence to speak<br>Listens.<br>Participates (inquire/test)<br>Debates, persuades<br>Has an open perspective<br>Prepares<br>Takes a rational approach<br><br>Filters agendas<br>Can see bigger picture<br>Gets to the points quickly | |
| **Understanding and knowledge**<br><br>Understanding of the protocols and procedures<br><br>Understanding of the responsibility of the role | **Understanding and knowledge**<br><br>Understands organisation and environment<br>Understands governance role<br>Understands collective responsibility<br>Business acumen | **Related to Understanding and knowledge**<br><br><br>Dissension within the Board<br>• Breach of Board protocols |
| **Internal drivers** | **Internal drivers**<br><br>Holds to core values<br>Wrongness/rightness<br>Divorced from management<br>Perceived as independent (may be NED) | **Related to Internal drivers**<br><br>Dissension within the Board<br>• Leave or stay moments |
| **Hard Decisions** | **Hard Decisions**<br><br>Prepared to make the hard decisions | **Related to Hard Decisions**<br><br>Change of CEO<br>Transformational change of business |

TABLE 18: SUMMARY OF BOARD MEMBER EXPERIENCE – LEARNING, ATTRIBUTES AND EVENTS

The main mechanisms associated with Board Member learning were identified as being associated with the internal actions/events of the Board.

Events/actions resulting in internal Board dissension were the most commonly described learning experiences. A relationship/link between the learning events and the perceived attributes of an experienced Board Member is able to be drawn. However, a relationship/link between these events and skills/competencies developed by Board Members is not clear.

Board Member experience is likely to be a mixture of initial personal learning experiences gained as a result of being a Board Member and additional attributes more likely gained prior to being a Board Member but tested in the Board environment.

The next section discusses these results in relation to the literature indentified in Section 2.

# 5.0 Discussion of Results

## 5.1 Board Member Learning

### 5.1.1 Learning styles

Observation and self initiated reading were the main learning mechanisms described by the participants in this research. These mechanisms correspond closely to the Kolb model of learning assimilator and diverger learning styles and the watching and thinking dimensions (Kolb, 1976). The results of this study correlate strongly with the work of Loo (2002).

### 5.1.2 Governance and learning

In terms of governance theory the results of this study do not differ from the prescriptions for good governance and Board Member competence. The perception of an experienced Board Member is someone who comes to the Boardroom prepared, who participates in the discussion, uses an independent and rational approach, can see the wider picture and its consequences, is prepared to make hard decisions which are relevant to the organisation and are in keeping with good business practice and the governance role, and then buy into the collectively decided outcome. Of primary focus is the desire to be part of and facilitate a quality agreement or decision. In many ways the result is predictable and probably fulfils what many of us would expect of any Board Member. These results correlate with the IOD and NZ government published best practice statements and much of the governance literature. This implies that the use of this literature (and available courses) would likely improve Board Member understanding of governance theory and practice.

However the reality is that most of the participants in this study had no real preparation for the role. This is in keeping with the observation of Garratt (2003). Some of the desired attributes had to be learned 'on the job' by observation, none attended courses prior to their first role, few had read material on best practice prior to the role, none had had any formal training

or mentoring, few had any informal support. This would all suggest that Boards and Board Members in general have few expectations of prospective Board Members having prepared for the role. Or, if Board Members are expected to have had some preparation for the role, then there is considerable difference between expectations and actual practice. This finding may have implications for the standards expected of Board Members and any 'Professionalisation' of the role of Board Member. This result may also have implications in terms of opportunities for various organisations to help bridge this gap. It would appear that developing an expectation that Board Member learning should be supported in general may be needed as a first step prior to any discussion on the details of what might constitute Board Member learning. Overcoming Board resistance to Board and Board Member learning may be part of this process.

Another observation of this study is the difficulties caused when Board Members (within a Board) have differing knowledge, understanding and interpretation of the organisational environment, the governance role, collective responsibility, procedures and protocols, and independence. This strongly suggests that not only is there little preparation for and explanation of the Board Member role but that knowledge and understanding of these dimensions is assumed and only clarified and tested (tacitly by each individual) through conflict (or dissent). A common understanding of these important areas of competency do not appear to be formally validated or ratified by Boards through discussion and clarification or through formal performance evaluation processes.

### 5.1.3 Knowledge and Learning

The initial learning experiences were derived from developing confidence and understanding in Board activities, protocols, and procedures. This suggests that Board Member learning is mostly the development of tacit knowledge. The information provided by the participants fits closely with Polyani's (1958) description of tacit knowledge. Some assimilation of explicit knowledge did occur with some of the participants describing self motivated reading around the governance topic or attending courses. This assimilation of explicit knowledge was a personal response to their 'felt' lack of knowledge or understanding. Some informal generation of explicit knowledge was also described by participants who had either created written materials on governance or had provided coaching/mentoring to new Board Members. Participants in the Canadian study by English (2005) also mentioned attempts to codify the Board protocols to aid new Board Members.

There was no observed or described formal process of Board Members developing shared understanding with other Board Members. There were few examples of learning from shared experience and knowledge exchange. This suggests that knowledge generation, and the development of Communities of Practice, may not happen in Boardrooms or may be reliant on informal actions undertaken by individual Board Members.

This study considered a CoP as an indicator and environment for knowledge transfer. This study also considered that there should be evidence of knowledge transfer between Board Members, into the Board and between the Board Members and the organisation for a 'learning organisation' to be in evidence. There is evidence of tacit knowledge gain by individual Board Members through the observation of other Board Members. There was evidence of a transfer of knowledge from one organisation to another demonstrated by a Board Member utilising understanding gained from one Board/organisation for the benefit of another. However there was little evidence of explicit knowledge transfer between Board Members in the area of Governance understanding or Board Member development. In terms of

Cook and Browns (1999) four forms of knowledge the observed learning was confined to the tacit quadrants of skills and genres and not apparent in the explicit quadrants of concepts and stories, i.e., there were few examples of the movement of tacit explicit knowledge to explicit knowledge. This suggests that few Boards create learning environments and do not constitute a community of practice for knowledge sharing as described by described by Senge (2003) Brown and Duguid (1991, 2001), Nonaka (1991, 1994), Nonaka and Konno (1998) and Senge et al. (2005). The results of this research demonstrated that individual Board Members with extended experience and contacts can contribute to novel or new outcomes for organisations. However the results also suggest that CoPs , knowledge transfer, and knowledge sharing within Boards is not commonly experienced by Board Members.

A lack of explicit knowledge transfer has implications. Professions and formal qualifications rely heavily on explicit knowledge transfer because knowledge has to be explicit before a standard can be applied to it. If Boards and shareholders are demanding more professionalism within the Boardroom then mechanisms which support knowledge development/sharing and the development of explicit knowledge in particular need to be supported to a greater level than currently indicated from the results of this study.

## 5.1.4 Resistance to learning

The participants did not appear to display any personal resistance to learning. Many had spent their own time (and own money) in self motivated learning. What is certainly true is that there appeared to be little formal structure for governance learning and little support or requirement for Board Members to engage in governance learning.

Where resistance to learning was evident was at the Board Level (i.e., not at the individual level). There was described resistance by two Boards to attending governance courses. The lack of appreciation for the need for governance training was encapsulated in the question "what benefit would

we derive from these courses?" There were also no examples of Board initiated, or directed learning and while some Boards had funds for Board Member training, there were no corresponding requirements for training to occur.

There may well be; no motivation to share knowledge, difficulties in sharing tacit knowledge, fears of information asymmetries, issues of ego, credibility, or lack of reflection as described by Boyatzis, Stubbs and Taylor (2002) , Brown and Duguid  (1991) , Gupta and Govindarajan (2000), Huber (1991), and Ingley and Wu (2007). Equally there does not appear to be a corresponding structure, process or monitoring to ensure that Board Member development happens, i.e., there appears to be a lack of 'applied' governance to Board Member development. Despite literature (as described in Appendix C) which identifies areas of learning and expected supporting attributes/competencies, there were no examples given of Boards taking actions to make the link between expectation and practice or performing reviews of practice against expectations.

## 5.2 Mechanisms for Learning

With the exception of 'monitoring of the CEO' the learning gained by Board Members and the experience valued by Board Members does not appear to be related to specific tasks of the Board, though the attributes identified are integral in achieving those tasks. The learning associated with the task of monitoring the CEO was also related to changing the CEO and making associated hard decisions,

## 5.3 Attributes of an experienced Board Member

There is no strong relationship between the findings and other governance studies although there are elements of similarity with some. These similarities are described below.

### 5.3.1 Identified Attributes

Having a professional reputation, technical skills, having achieved a certain level of education, or having had a specific career background were not mentioned by the participants as being important attributes of a Board Member. The ability to read and understand financial information and to understand compliance or regulatory issues was valued among participants but how these skills might come to be obtained was not discussed. This has some similarity to results obtained by van der Walt and Ingley (2001) on Board effectiveness where those who attended presentations expressed surprise at the low rating attached to various technical skills of Board Members of firms. However the individual factors considered important in director selection in the van der Walt and Ingley study were not identified as important contributors to Board Member experience in this study.

| (Van der Walt & Ingley, 2001) Individual factors considered important in director selection | Supported by this study |
|---|---|
| Reputation | No |
| Qualifications | No |
| Remuneration | No |
| Experience (related industry experience) | No |
| Motivation | Yes |

TABLE 19: COMPARISON BETWEEN THIS STUDY AND INDIVIDUAL FACTORS

There is some similarity between the findings of this study and five main attributes of Board Members identified by Blake (1999) as shown in below in Table 20.

| (Blake, 1999) five main attributes | Board Member Experience (this study) |
| --- | --- |
| Integrity | Internal Drivers |
| Leadership skills / team player communicator | Contribution to Board process |
| Analytical understanding | Contribution to Board process |
| Specialist skills and knowledge | Understanding and knowledge |
| Thinker open-minded/ strategic perception and decision making | Contribution to Board process Understanding and knowledge Internal Drivers |

TABLE 20: COMPARISON BETWEEN THIS STUDY AND BLAKE'S FIVE ATTRIBUTES.

There is little relationship between the results of this study and the seventeen key competencies of the Management Charter Initiative (MCI) framework. A few of the personal competencies, (self confidence, communication, judgement, and influencing others) could be interpreted as being similar.

There does not appear to be any relationship between the attributes identified in this study and the attributes which Dulewizc and Herbert (1999) identified in their study of competencies which predicted advancement to senior management. There are similarities and differences (many differences) with the Emotional Quotient (EQi) competencies used by Dulewicz and Higgs (2005). The MQ, IQ and EQ (Management Quotient, Intelligence Quotient and Emotional Quotient), competencies identified by Dulewicz and Higgs might contribute to the attributes identified in this study. There is no clear relationship with the competencies identified by Dulewicz, Young, and Dulewicz in their (2005) study on the relevance of emotional intelligence for leadership performance.

The link between experience and performance was implied in the introduction to this thesis. Implicit in the term 'Experienced' is the expectation that the output level of performance will be greater or more reliable than

someone less experienced. There is an implicit assumption that identifying the core components of Board Member experience will provide some mechanism for building performance be it at individual Board Member level or at the collective Board level.  The findings of this research suggests that there is not a strong relationship between the attributes associated with an experienced Board Member (this study) and the attributes identified in much of the literature (see appendix C) which have been proposed as components of Board or leadership performance. Further research would be required to assess the relationship between the attributes of an experienced Board Member (identified in this study) and Board or Board Member performance.

## 5.3.2 Management versus Governance

The results of this study suggest that the difference between management and governance for Board Members is contained in the discourse related to perceived independence specifically of executive Board Members versus non-executive Board Members as discussed in the section describing Internal Drivers. The differences between management and governance in this study appear to be ones of perspective, understanding the governance role and independence. The ability to set aside immediate managerial concerns (or view from a distance) was valued by participants and perceived as demonstrating an independent perspective. However the ability to completely divorce the managerial perspective from the governance process was also questioned by participants as to being achievable or even relevant in some circumstances.

The researcher could not be sure if the dissonance in this area was because perhaps the participants had not grasped the difference between management and governance and therefore could not value this difference or if there is in fact some valid issue here and perhaps in some governance structures the separation of management and governance should be differently constructed to the traditional (Agency) view we apply to publically listed organisations. If the management versus governance issue has different connotations depending on the organisation governance structure (e.g. Volunteer organisations where Board Members are likely also to be

volunteers or managers) then this also has implications in Board Member development and recruitment. This supports the argument promulgated by Carter and Lorsch (2004) that the line between management and governance needs to be established by each board at the individual firm level.

It may also be that due to the nature of the role, an executive Board Member may never be perceived as independent, or may always be perceived as being less experienced than a non-executive Board Member.

## 5.3.3 Similarities with Canadian Study

Despite the country differences and differing research intent there are many striking similarities between this study and that by English (2005), especially in the content of the quotes from the women interviewed by English. The quotes had examples of demonstrated commitment to the organisation, discussions around internal conflict, discussion of stay or leave moments, learning by observation, and there being 'no manual to pick up'. The valued learning described by the subjects in the English study was often through experience and conflict. The initial learning and mechanisms for learning described within the English study had strong similarities with this research and this suggests that the learning experiences described by this study may have relevance to Board Member learning in other countries.

## 5.4    Other Discussion

The relevance of performance, the appointment process and the Board Member development process are also areas which warrant further discussion.

**Relevance to Performance**

As suggested in 5.3.1 - further research would be required to assess the relationship between the attributes of an experienced Board Member (identified in this study) and Board or Board Member performance.

Of particular relevance to this study and the idea of performance were two comments made by two different participants, when asked for their feedback on the initial category development (Appendix B).  One participant said of the 'Good' column that the attributes were really nothing to do with good. *"Anyone could have those qualities, you didn't need to be a Board Member to have those qualities"*. The participant went on to say that the column labelled 'good' was really only a starting point, a platform, and that *"good Board Members were better than that and achieved better than that"*. A different participant said of the bad/poor column that those Board Members who had those characteristics *"don't tend to come back for a second term. But they often say that the bureaucracy defeated them, or they felt defeated by the bureaucracy"* The implication being that attributes associated with being a poor Board Member may have been indicative of Board Members who struggled with Board processes and protocols or did not value these processes and procedures in the same manner as the rest of the Board.

It was the researcher's impression that elements of good performance which were alluded to by comments like "great Boards can do great things" stem from something additional or beyond the attributes identified in this study, though there might be some relationship between Board performance and Boards where knowledge is shared which was hinted at in the discussion on CoPs.

If there is a link between Board performance and Board Member dissent then there may be some benefit to Board performance in increasing Board Member learning in relation to developing a shared understanding of Board protocols and procedures.

**The Appointment Process**

There is a diverse range of Board appointment processes. The appointment process has relevance to Board Member development especially if organisations want to appoint experienced Board Members.

The initial learning experiences described by the participants appeared independent of the appointment process though at least two of the participants had had exposure to Board processes and procedures prior to any official Board appointment. This suggests that some organisations could have an influence over developing Board Member experience (prior to a Board appointment) if Board Members were able to be appointed from within the organisation.

However none of the participants in this study had any formal preparation for the role suggesting that, for the participants in this study and the Boards involved, there was no formal process for developing Board Member experience prior to appointment.

Also, individual factors considered important in director selection in the van der Walt and Ingley study (2001) were not well supported by this study (see Table 19). This suggests that factors considered important, and sought, in the Board Member selection/appointment process are not well aligned with the perceived attributes of an experienced Board Member.  Combined with the lack of formal preparation for the role this suggests that while Boards may be seeking experienced Board Members, Boards are also appointing Board Members with no prior experience or formal preparation.

**Board Member Development Capability and Maturity (CMM-B)**

The results from this study suggests that the current development of Board Member experience is ad hoc and vicarious and is likely driven solely by the Board Member and at their own expense. Based on the results of this study,

in terms of a Capability and Maturity Model, it is likely that the Board Member Development process is at level 0 (non-existent) or Level 1 (ad-hoc) for many organisations.

Examples of support for training came from participants in organisations where development and training was seen as important and where funds were already available. The researcher does know of at least one publically listed company (not represented by any of the participants) which could be positioned at level 4 of a CMM-B so while the results of this study may be typical of many organisations it cannot be generalised to all.

## 5.5  Summary of Discussion of Results

The research questions asked were:

- What constitutes an 'experienced' Board Member?
- How is this experience conveyed to other Board Members?
- What have experienced Board Members learned?
- What have been the mechanisms in this learning?

Table 18, in the research results section, summarises the findings of this study. Specific findings are listed below. Responses to the additional questions raised in section 2.5.2 of the literature review have been tabulated and are also presented here.

**<u>Findings</u>**

What constitutes an 'experienced' Board Member, what have experienced Board Members learned, and how is experience perceived by other Board Members?

- Board Member experience is perceived by the use of attributes which contribute to a quality agreement or decision.
- There is a tangible difference between an inexperienced Board Member and other Board Members.
- Board Member experience is perceived as a mix of skills learned in the Boardroom and other skills.
- Board Member experience is not perceived as being closely related to any specific body of knowledge.
- Board Member experience is not perceived as being closely related to any specific tasks of the Board.
- Board Member experience is not perceived as being closely related to expected competencies.
- Board Member experience does not appear to be strongly related to either conformance or performance aspects of Board activities.
- Board Member experience appears to be independent of governance type/structure.
- Board Member experience appears to be independent of organisational regulatory requirements.

- Perception of Board Member independence is a key differentiator between non-executive and executive Board Members.

What are the mechanisms in the growth of Board Member experience?

- Board Member learning is likely to be the gain of tacit knowledge.
- Board Member learning is likely to be gained through the observation of others and possibly self motivated reading.
- Board Member learning is unlikely to be derived from sources of explicit knowledge or knowledge transfer from other Board Members.
- Learning exchange between Board Members and Boards is likely to be vicarious and dependant on the support of the Chair.
- Key/formative learning experiences are more likely to be associated with Board dissension or a change in CEO than any other type of event.
- Learning events are more likely to be perceived to occur as a result of Board challenges than as a result of Board achievements.

## Findings compared with additional questions identified in 2.5.2.

Further questions arose during the discussion of the literature (section 2.5.2) and discussion of these in the light of the research results is detailed here.

| List of additional questions identified in the literature review section 2.5.2 | Description of the support for the question based on the research results of this study |
|---|---|
| 1. Is Board Member experience influenced by governance style and structure of a Board? | The results of this research suggest that the attributes of Board Member experience is independent of Board governance style and structure. |
| 2. Is Board Member experience influenced by the fiduciary responsibilities? | The results from this research suggest that Board Member experience is not influenced by the fiduciary responsibilities |
| 3. Is Board Member experience influenced by the balancing act between performance and conformance expectations? | The results from this research suggest not, although most of the Board Member learning events described by the participants related to internal Board challenges and only a few related to Board or organisational achievements. |
| 4. If Board Members gain experience through learning associated with their role, what kind of knowledge is likely to be developed? | The results from this research suggest that Board Member learning is primarily the development of tacit knowledge associated with the internal actions/workings of the Board. |
| 5. Will learning or experience be developed through tacit knowledge gain or explicit knowledge gain or some mixture of both? | The results from this research suggest that Board Member learning is developed primarily through tacit knowledge gain but that some explicit knowledge sources (i.e. books/courses) might also be utilised |
| 6. What are the components of knowledge creation, growth and transfer? | The results from this study do not provide enough information to respond to this question. |
| 7. If Board Member learning happens is the knowledge gain result in an observable or a potential change in behaviour? | The results from this study do not provide enough information to respond to this question. |
| 8. Is Board Member learning related to organisational learning? | The results from this study do not provide enough information to respond to this question, although, the levels of knowledge transfer between Board Members as described by the participants suggests that there is little knowledge transfer from the Board or Board Members to the organisation. |
| 9. Is Board Member learning associated with the assimilator and diverger learning styles combined with watching and thinking dimensions? | The results from this research suggest support for this question. This is discussed in the results. |
| 10. Could learning style affect governance and development within the governance role? | The results from this research suggest that this may be an interesting area of investigation and this has been raised in the section on directions for further research. |

TABLE 21: COMPARISON OF FINDINGS AND ADDITIONAL QUESTIONS IDENTIFIED IN THE LITERATURE REVIEW.

| List of additional questions identified in the literature review section 2.5.2 | Description of the support for the question based on the research results of this study |
|---|---|
| 11. If Board Member experience is tangible then how is it identified and how do Board Members detect or assess its presence? | The attributes which identify an experienced Board Member have been identified in this research. The mechanism by which these attributes are detected is not explicitly identified but may be implicitly assumed to be primarily the use of observation. |
| 12. If there is a tangible (identifiable) difference between an inexperienced Board Member and an experienced Board Member then how is an incumbent Board able to discern this difference? | Answered in part by the response to question 11 above but the results from this study do not provide enough information to respond to this question. Measurement or assessment of Board Member experience was not discussed. |
| 13. Is what is considered as experience in the hiring process similar to what Board Members identify as experience gained in their first few years? | The results from this research suggests not. This is discussed in the results section. |
| 14. Will the perception of experience be related to the learning experiences of the first few years of being a Board Member or drawn from experiences outside the Board environment? | The results from this research suggests that a few of the attributes of experienced Board Members are potentially developed in the formative years as a Board Member but the source/learning associated with most of the identified attributes was not clear or identified. |
| 15. Is the perception of experience related to actual learning experiences or more closely aligned with elements relating to credibility and trust? | The results from this study do not provide enough information to respond to this question though elements of credibility and trust were described by participants in relation to understanding the collective responsibility of the Board, especially in the area of Board dissension being made public. |
| 16. If Board Members gain experience through mechanisms associated with their role, is this experience different to that which might be gained in a managerial role? | The results from this study do not provide enough information to respond to this question though the perception of independence may be relevant. |
| 17. Are the attributes of an experienced Board Member different to those of and experienced Manager? | The results from this study do not provide enough information to respond to this question. |
| 18. Does the governance structure impact Board Member learning? | The results from this research suggests that Board Member learning is independent of governance structure though some governance structures (e.g. public service influenced structures) may be more pre-disposed to supporting Board Member development. |
| 19. If there is evidence of a Board Member development processes at what level might these processes be described within a CMM? | The levels of their experienced Board Member development processes as described by the participants would be either Level 0 – non-existent or Level1- ad-hoc. |
| 20. Is the development of Board Member experience a defined process? | The results from this research suggests that the development of Board Member experience is not a defined process. |

TABLE 21: CONTINUED.

# 6.0  CONCLUSION

## 6.1  Summary of key findings

This research used a grounded theory approach to explore the term 'experienced Board Member' with research into the learning experiences which bridge the gap between an inexperienced Board Member and an experienced Board Member. The purpose of the research was to identify repeatable/reportable patterns which could be utilised and developed to improve Board Member learning.

Four research questions were asked and these were:

- What constitutes an 'experienced' Board Member?
- How is this experience conveyed to other Board Members?
- What have experienced Board Members learned?
- What have been the mechanisms in this learning?

The primary outcome identified is:

- Board Member experience is associated with the use of attributes which contribute to facilitating a quality agreement and decision by the Board.

Other outcomes identified are:

- The perception of an experienced Board Member is someone who comes to the Boardroom prepared, who participates in the discussion, uses an independent and rational approach, can see the wider picture and its consequences, is prepared to make hard decisions which are relevant to the organisation and are in keeping with good business practice and the governance role, and then buy into the collectively decided outcome. The primary measure of experience is an observed desire to be part of and facilitate a quality agreement.
- Formative Board Member learning is associated with developing self confidence, understanding what content is perceived to be (or not to be) relevant, understanding the Boardroom protocols and processes, and understanding the responsibility of the role.

- The primary mechanisms of Board Member learning are observation, Boardroom challenges, and self motivated learning.

- Dissension within the Board and changing the CEO are the most common events which bring the attributes of experience into focus for Board Members

- The source of learning associated with many of the attributes associated with an experienced Board Member, was not identified and may be developed prior to becoming a Board Member.

- It is likely that a Board Member will have little or no preparation for the role.

- The development of Board Member experience is likely to be ad-hoc and vicarious.

- It is likely that personal development in the Governance role will be driven solely by the Board Member.

- There appears to be an assumption that having previous executive experience is considered sufficient preparation for the role. This assumption is at odds with the perception that the governance role is tangibly different to a managerial role. This assumption is also at odds with the perception that Boards would prefer to appoint experienced Board Members.

While participants were clear and in agreement on the attributes they identified with an experienced Board Member the relationship between the identified attributes and the requirements of the role of a Board Member was less clear. The relationship between the attributes of an experienced Board Member (identified in this study) and Board or Board Member performance is also not clear.

## 6.2 Implications

The development of experienced Board Members does not appear to be a priority or a goal for many organisations and the implication is that the overall capability of Boards and Board Members will not increase unless action is taken to support the development of Boards and Board Members.

Attributes associated with an experienced Board Member are not aligned with selection or appraisal processes. The implication of this is, again, that the overall capability of Boards and Board Members will not increase unless some actions are taken to support the development of experience within Board Members.

It would be tempting to say that to improve Board Member experience there should be more preparation for the role, better understanding of the attributes expected of an experienced Board Member and more clarity within the Board in aligning assumptions and expectations around the Board Member role. It would also be tempting to produce a list of desired attributes and call for more obvious measures of Board Member development. Without decrying the results of this study there are already plenty of published expectations and attribute lists available to Boards and Board Members. The underlying issue appears to be in their use or application in Board Member development processes.

### 6.2.1 Board contribution to a learning organisation

A further implication of the current nature of Board Member development is that as long as the development process continues to be mainly ad-hoc and tacit, then Board learning and organisational learning will be limited. Group and organisational learning relies on the transfer of explicit knowledge and the sharing of lessons learned. The results of this study suggest that lessons learned may only be shared on an ad-hoc basis so the building of a professional or institutional body of knowledge will also be ad-hoc. The development of learning organisations is unlikely happen without supporting behaviours and support for knowledge transfer and the sharing of lessons learned at Board level, between Board Members and between the board and the organisation.

## 6.2.2 Board Member Development Capability and Maturity (CMM-B)

Boards are being encouraged to engage in the appraisal process but defining/determining and measuring performance is still a difficult area for assessment because of its qualitative nature and associated subjective judgements. Using a CMM tool to assess the capability of the organisation and Board in their ability to support the development of Board Members could provide an easier place to start the assessment process and allow Boards to find their own effective processes and associated measurements. A Capability Maturity Model for Board Member development was proposed (see Table 4) which could be used by Boards (or interested parties including shareholders, institutional investors and financial institutions) to assess the capability of the Board support for Board Member development.

For a Board to be operating at a level which supports consistency and quality in Board operations then organisations should be expecting their Board Member development to be at least at Level 3 – Defined (See Table 4). At this level Board competencies would be developed and aligned with business strategy and objectives. Boards or organisations could appraise their own level of support for Board Member development, as a mechanism preceding the appraisal of individual Board Members, Periodic reassessment should show increasing Board Member development.  This approach would also give different organisations the ability to describe the competencies and organisational needs which may be deemed important to their particular organisation. Boards and organisations could also choose which standards or best practices best suits the capability level they wish to achieve.

## 6.3   Limitations of the results of this research

The sample size of this study is small and may not be representative of the majority of Boards. This study is New Zealand based though there were notable similarities with a Canadian study. New Zealand and Canada are influenced by their British history n terms of social, political and legislative development so this study may not be repeatable in all other countries but may have applicability in other commonwealth countries which have a similar governance framework.

All the participants in this study had their first exposure to Boards prior to 2001. It may be that Board Member development has changed since 2001 and this participant sample may not reflect the situation for Board Member development of current 'new' Board Members.

## 6.4  Directions for further research

This study would benefit from further validation of the theory through replication, extension or through methods which provide more quantitative support. A number of other areas for further research have been identified from the results of this study.

**Board Member development**

Assessing multiple Boards using the CMM_B would further our understanding of the underlying level of the process of Board Member development in New Zealand (and elsewhere).

During the interviews the researcher noted that the Local Authority and Crown Entity participants provided more examples of support for Board Member development. One participant mentioned that training and development in general was expected within public service roles. This study did not measure different organisations support for training and development. It would be interesting to know if different organisations do provide different levels of support for Board Member development as this may provide potential Board Members with an opportunity to plan their development of Board Member learning.

This research also suggested that resistance to learning was more likely to be exhibited at the collective Board level than by individual Board Members. It may be that structural and process issues at Board level (including funding) hinder Board Member learning. This is likely to be related to the maturity of the Board Member development process as identified above but may be related to other factors. If structural factors do exist which constrain the potential for Board Member learning then the identification of these factors would seem important.

**Learning Styles and Board Member learning**

The influence of learning styles on both Board Member learning and Board Member selection would be an area worthy of further study if we are to

consider the impact of diversity and societal changes on the make up of future Boards.

The results suggested that Board Member learning is consistent with the (Kolb) assimilator and diverger learning styles combined with watching and thinking dimensions. It could be that the current pool of Board Members have these learning styles because our Boards tend to pull from rational abstract/reflective people who assimilate information through thinking and watching (i.e., Lawyers and accountants and other 'hard' business areas). The current pool of Board Members in turn may influence selection through their valuing of this particular learning style. It could also be that an Agency approach to governance favours people with this style of learning. One could speculate that Agency (being essentially oversight and monitoring) aligns better with observation and analysis skills/learning.

The question is: does learning style affect governance and development within the governance role? Could a dominant learning style tend to exclude people from the governance role who might learn through concrete experience and active experimentation? Should the governance role include concrete experience and active experimentation? An Agency approach would suggest that this style of learning might be considered inappropriate and more associated with the role of management not governance.

**The relationship between Board Member experience and performance**
As suggested in 5.3.1 - further research would be required to assess the relationship between the attributes of an experienced Board Member (identified in this study) and Board or Board Member performance.

The relationship between Board performance and Boards where knowledge is shared was also hinted at in the discussion on communities of practice but a more structured research approach would be needed to measure a meaningful relationship.

This study also suggests that poor Board Members are perceived as those who don't or cannot agree. Study in this area and a clear indication of which

negative attributes are associated with Board dysfunction would have considerable implications for the overall quality of Boards and their performance.

## The relationship between Board Member learning and learning organisations

When the concept of the Learning Organisation was raised this engendered comments about training and development within the organisation (below board level) but did not generate comments about knowledge exchange or knowledge dissemination between the Board and the organisation. Further study on how Board Members perceive their role in developing Learning Organisations and study into how knowledge is exchanged between a Board Member (or Board) and the organisation would add considerably to our understanding of how organisations apply Learning Organisation theory into organisational practise.

## The influence of the appointment process on Board Member learning

There is a diverse range of Board appointment processes. While the learning experiences appeared independent of the appointment process the depth of emotional involvement attached to leave or stay moments may not be independent of the appointment process (and may not be independent of organisation type). It was observed that the depth of emotional frustration attached to conflict associated with internal drivers was higher when the situation involved a publically listed or privately owned company and considerably less in an elected Board Member situation. This may be due to aspects of the appointment process or the organisation type. Further research would be needed to clarify and quantify any links.

The appointment process also has relevance to Board Member development if organisations want to appoint experienced Board Members. Some organisation types may have greater influence over identifying and developing potential Board Members. Some organisation types may be better able to provide potential Board Members with prior exposure to Board processes and protocols.

## 6.5 Conclusion

This research set out to explore the term 'experienced Board Member' and asked the questions: What constitutes an 'experienced' Board Member? How is this experience conveyed to other Board Members? What have experienced Board Members learned? What have been the mechanisms in this learning?

The results of this study suggest that an experienced Board Member is perceived to be a Board Member who contributes to achieving a quality agreement and decision using attributes associated with:

- Contribution to Board processes
- Understanding and Knowledge (governance and business acumen)
- Internal Drivers
- Making Hard Decisions

The primary mechanisms in Board Member learning is observation and the tacit development of understanding through observing events internal to the Board process. These events were likely to be related to dissension within the Board.

Participants were clear and in agreement as to the attributes they identified with an experienced Board Member. Less clear was the relationship between the identified attributes and:

- Board Member learning
- The requirements of the role of a Board Member
- Board or Board Member performance

Formative Board Member learning is associated with developing self confidence, understanding what content is perceived to be (or not to be) relevant, understanding the Boardroom protocols and processes, and understanding the responsibility of the role

One major pattern in the development of Board Member experience is the lack of use of a structured development process. Use of a CMM-B tool like the one proposed in this study would improve Board Member learning.

This study builds on corporate governance theory by identifying attributes considered indicative of an experienced Board Member.

This study adds to Learning Organisation and Knowledge theories by providing examples and comment on the place of Communities of Practice, and knowledge development within the development of Board Member experience.

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## APPENDIX A – Participant Forms

# Participant Information

**AUT**
UNIVERSITY
TE WĀNANGA ARONUI O TAMAKI MAKAU RAU

*Project title:* ***Investigating the nature of Director Experience.***
*Project Supervisor:* ***Coral Ingley***
*Researcher:* ***Nicola Deacon***

*Thank you for showing interest in being part of this study. I (Nicola Deacon) am a Masters student at AUT and this study is the basis of my Masters Thesis. The area of study is "the nature of director experience and I will conducting one on one interviews. The focus of the study is the initial years (1-5) of being a director in a board environment.*

*Your participation is entirely voluntary and you may withdraw at any time prior to the completion of data collection.*

*In the interview I will be exploring:*
*What have experienced directors learned?*
*What have been the mechanisms in this learning?*
*How is this experience conveyed to other directors?*

*I will be taking notes during the interview which you will be welcome to read and discuss. I do not plan to record the interview. I will not be noting names of people or organisations. I am looking for themes.*

*I expect the interview to last somewhere between 30 and 60 mins.*

*Naturally your answers will be treated in the strictest confidence. No one involved in the study, or seeing the results, will be able to identify you, your organisation or the members of your board. The following considerations have been built into the research design.*

1. *It is understood by the Researcher that the directors interviewed may, or may not, refer to other people and confidential organisational events during the interview.*

2. *Aside from describable outcomes related to the research topic all specific details discussed during the interview will be treated confidentially and will not be named.*

3. *All efforts will be made to ensure that references to events or other persons are not identifiable in any way in the published research results.*

4. *The researcher will not be recording names of people or organisations during the interview.*

5. *It is the intention that no Director interviewed will be able to be identified from the published materials*

*I am using a methodology called grounded theory which means I am asking open ended questions and letting the conversation flow after that. I am looking for your own interpretation of these questions. I am not supposed to come into the interview with preconceptions or an agenda.*

*There is a wealth of material on what directors 'ought' to do, be, and know. I am looking for descriptions of things which have actually happened to you described in your own words*

*I will be happy to share results of the research with you. I will share my observations with you during the interview and also any understandings of my own which may be of use in facilitating exploration of the topic.*
*I am happy to discuss my experience in other areas of governance beyond the interview should the conversation develop.*

*The overall findings will be published in my thesis. The findings may also be published in forthcoming issues of Boardroom as well as international journals where, it is hoped, they will stimulate constructive discussion and further thinking as regards the contribution of directors to New Zealand organisations.*

*Should you have any queries whatsoever, please contact us on (09) 921 9999 or 021 766602. We will be delighted to assist you.*

**What do I do if I have concerns about this research?**
Any concerns regarding the nature of this project should be notified in the first instance to the Project Supervisor, Coral Ingley, cingley@aut.ac.nz, (09) 921 9999 Extension 5419. Concerns regarding the conduct of the research should be notified to the Executive Secretary AUTEC, Madeline Banda, Madeline.banda@aut.ac.na, (09) 921 9999 ext 8044

*Approved by the Auckland University of Technology Ethics Committee on 3rd September 2008 - 08/142*

# Participant Details

**Project title:** **_Investigating the nature of Director Experience._**
*Project Supervisor:* **Coral Ingley**
*Researcher:* **Nicola Deacon**

*Name:*

*Gender:*

*Age now:*

*Age at which you first became a board member:*

*Number of years as a director:*

| *Organisation type* | *First experience as board member (please tick one)* | | *Number of years as director* | |
|---|---|---|---|---|
| | *NED\** | *ED\*\** | *NED\** | *ED\*\** |
| *Private Company* *Publicly listed company* *Cooperative, Mutual, employee-owned entity* *SOE* *Crown Company* *Charity, Trust, Commission* *Local Authority* *Other* | | | | |

*\*NED – Non-Executive Director, \*\* ED – Executive Director*

**Approved by the Auckland University of Technology Ethics Committee on** **_3<sup>rd</sup> September 2008 - 08/142_**

# Appendix B – Initial Category Development

Categories - Agreement , Contribution, Understanding, Internal conflict (north star)
(IC needs to be aligned with A)

Indicators of categories

|  | Experienced/Good | Inexperienced | Poor |
|---|---|---|---|
| A | Seeks consensus/agreement<br>May be able to draw out the opinions of others<br>May strategise outside meeting to get agreement<br>Will consider consequences | May not understand what agreement actually means (liability) | Agreement conditional<br>Easily influenced<br>Yes man/ticks boxes<br>Does not hold to the greater good |
| C | Listen (understand)<br>Participate (inquire/test)<br>Debates/discusses<br>Persuades<br>Open perspective<br>Prepares<br>Rational (thought through) | Listen (learn)<br>May not participate<br>Less involved in debate<br>May not fully collaborate<br>Asks to learn<br>May not be rational (thought through)<br>Includes materials outside remit | Doesn't listen<br>Doesn't debate/participate<br>Negotiates<br>Holds position – not open to persuasion<br>Doesn't prepare<br>Emotional (reactive)<br>Inappropriate behaviour<br>Includes materials outside remit |
| U | Can see bigger picture<br>Gets to the points quickly<br><br>Understands Role<br>Business Acumen<br>Governance Acumen | May not see larger picture<br>May not yet be able to see the larger points from the smaller points<br><br>Specialist skills untempered (as yet) by working with team | Argues the smaller points<br>Argues the wrong points (BN) |
| IC | Holds to core values<br>Divorced from management<br>NED? (independence)<br>Passion for org<br>Wrongness/rightness | May still be influenced by management<br><br>Passion for org | Easily influenced<br>Yes man/ticks boxes<br>Work in the business<br><br>May or may not have passion for org |

Consequences of indicators

|  |  |  |  |
|---|---|---|---|
| A | Quality Agreement<br>Adds Value (BN)<br>Quality of understanding leads to Quality of contribution leading to quality of agreement | Lesser quality agreement | No actual agreement<br>Poor quality agreement<br>Does not add value<br>Dysfunction?<br>Poor quality contribution<br>Lack of trust |

# Appendix C – Potential areas of learning and expected supporting attributes/competencies

| Fiduciary responsibilities | |
|---|---|
| ISAR has produced internationally agreed benchmarks in the areas of: | <ul><li>Board and management structure and process</li><li>Ownership structure and exercise of control rights</li><li>Financial transparency and information disclosure</li><li>Auditing</li><li>Corporate responsibility and compliance</li></ul> |
| Tasks of the Board | |
| (Van der Walt & Ingley, 2001) | 1. Protecting assets of the firm<br>2. Representing shareholder interests<br>3. Supporting new ventures<br>4. Directors and officers responsibilities<br>5. Evaluating activities of the firm<br>6. Enhancing performance<br>7. Providing strategic vision<br>8. CEO mentoring<br>9. Representing staff interests |

| Expectations of Board Members | |
|---|---|
| Blake (1999) lists five main attributes of directors | <ul><li>Integrity</li><li>Leadership skills / Team player communicator</li><li>Analytical understanding</li><li>Specialist skills and knowledge</li><li>Thinker open-minded/ strategic perception and decision making</li></ul> |
| Davies (1999) – lists effective competencies for building and effective Board | <ul><li>Skill in communicating</li><li>Effective interaction with others</li><li>Ability to plan, delegate, appraise and develop others</li><li>Focus on achievement through risk taking</li><li>Resilience</li><li>Independence (especially NEDs)</li></ul> |

| Expectations of Board Members | |
|---|---|
| Orlikoff (1998) seven practices of super Boards | 1. Embrace systems thinking<br>2. Focus on mission<br>3. Lead change<br>4. Request good governance information<br>5. Hold Board Members accountable to performance standards<br>6. Control governance structure<br>7. Use Board job descriptions |
| Soo-Hoon Lee and Phan (2000)<br>list of specific competencies needed for directors of global firms. | • Managing Competitiveness,<br>• Managing Complexity,<br>• Managing Adaptability<br>• Managing Teams<br>• Managing Uncertainty<br>• Managing Learning |
| Garratt (2003) describes the dynamic balance of four areas: | • Organisation effectiveness<br>• Organisation efficiency<br>• Board Performance – in external environment<br>   o Policy formation and foresight<br>   o Strategic thinking<br>• Board Conformance – to goals<br>   o Supervision of management<br>   o Accountability |
| Platt (1997) three elements of governance | • Performance<br>• Effective representation of shareholders<br>• Openness |
| Pierce (1994) key personal qualities needed by directors | • Processing information<br>• Taking strategic perspective and decision making<br>• Communicating information<br>• Interacting with others<br>• Managing resources<br>• Achieving results |

Appendix C Cont.

| Expectations of Board Members | |
|---|---|
| MCI framework (Management Charter Initiative) lists seventeen personal competencies, knowledge and understanding and performance skills. | Personal competencies:<br>• Judgement<br>• Self confidence<br>• Strategic perspective<br>• Achievement focus<br>• Communication<br>• Information searching<br>• Building teams<br>• Influencing others<br>Knowledge and understanding:<br>• Reading and analysing situations<br>• Concepts/theory/cerebral<br>• Political<br>• People<br>• Technical and managerial<br>Performance skills:<br>• Reading and influencing the environment<br>• Setting strategy and gaining commitment<br>• Planning implementation and control<br>• Evaluating and improving performance |
| Boudreaux (1997) eight major competencies considered by the NRECA (National Rural Electric Cooperative Association). | • Cooperative outlook<br>• Organisational well being<br>• Self management<br>• Collaboration<br>• Decisiveness<br>• Leadership – judgement, desire to be a model, desire to make a difference<br>• Initiative<br>• Perseverance |
| Jackson and Holland (1998) six Board level competencies derived from a Board Self Assessment Questionnaire (BSAQ). | • Contextual – understands and takes into account norms and values<br>• Educational – takes steps to ensure members are well informed in roles<br>• Interpersonal – actively develops members as a group<br>• Analytical – applies multiple perspectives to issue<br>• Political – accepts responsibility for Board health and relationships<br>• Strategic – envisions and shapes direction |

Appendix C Cont.

| Expectations of Board Members | |
|---|---|
| Tricker and Lee  (1997) | • Organisation and running of the Board<br>• Tasks of the Board<br>• Building an effective Board |
| (Van der Walt & Ingley, 2001) The identified development needs for Board Members to support tasks (identified above) include: | • Independence of thought and actions<br>• Analytical competence<br>• Ability to see issues from varying perspectives<br>• A portfolio of thinking styles<br>• Competence in strategic perception, capability and decision making<br>• Ability to reflect upon and debate issues<br>• To balance Stewardship with risk taking<br>• Skill in communicating and effective interaction with others<br>• Integrity and resilience |

Appendix C Cont.