Power Shift, Strategic Changes and Board Roles in SMEs: A Portfolio Approach

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Abstract: This paper aims to better understand board task performance according to firms' and their boards' need to change and adapt with the firms' changing strategic circumstances. Results from case studies of six Tunisian SMEs revealed a range of board functions grouped according to four typical board governance roles of control, strategy, service and mediation. The types of board involvement in firm decision making ranged from a passive board classified as a "legal fiction" to a fully active "pilot" board type depending on the relationship between the board and the CEO/founder and the firm's circumstances. SME governance under was found to encompass simultaneously all four board roles (which we term a "portfolio" of board roles) but emphasis was placed by boards on one or two key roles according to the changing strategic demands of the firm. This finding gives initial support to the board role portfolio concept as justification for boards in SMEs. It also has practical implications for how boards can best add strategic value to their firms when transitioning through challenges of transformational change in their development over time.

Keywords: SMEs, board role portfolio, contingency, power dynamics

1. Introduction

Extensive debate surrounds the value, purpose and roles of boards of directors in small and medium sized firms (SMEs) (Filatotchev and Wright 2005; Jonsson 2005; Huse and Zattoni 2008; Lorsch and MacIver, 1989; Zahra and Pearce 1989). Changes in a board's role over time are accepted as relative to changing firm circumstances (Jonsson 2005; Lynall et al. 2003) and are reflected in growing demands on boards (Huse 2007), as well as arising from the increasingly complex nature of modern business. This paper examines the different roles that SME boards may play in different firm circumstances. Specifically, we study changes in board roles accompanying the complex phenomena associated with SMEs confronted with transitional challenges as they progress along their developmental pathways.

The role of a board in an SME has been based primarily on the statutory requirements of boards in large, publicly listed firms. This conceptualisation has been criticised in the literature on various grounds, not the least being that there is a great deal of heterogeneity among SMEs and a one-size approach to the role of a board in this context is thus inappropriate.

An underlying assumption in SME board governance is that an unlisted SME can benefit from having a board of directors. In reality, acceptance of the idea of a board being necessary and/or desirable for a small firm often meets with strong resistance or outright rejection by a powerful owner/founder/CEO who may perceive a board and sharing of power and control as a direct threat (e.g. Daily and Dalton 1992; Osborn 1991). Nevertheless, a particular stage in a firm's growth may signal the requirement for establishing a formal board of directors and the resolution of issues of power at the governing apex of the firm (e.g. Flameholtz and Randle 2007; Dekker et al. 2015).

The literature has paid some attention to the type of role an SME board can play to add value to the firm, based mainly on resource dependency theory and stewardship theory. However, there is a lack of consensus beyond the recognition that whatever role is adopted by an SME's board, it will of necessity change as the firm's circumstances change. Roberts, McNulty and Stiles (2005) noted that existing theorisations based variously on agency theory, agency versus stewardship theory, control versus collaboration, or the control, service and resource functions of the board, portray inadequately the conduct and practices they observed in boardrooms.

This highlights a need for a holistic, integrated consideration of board roles which is consistent with organisational objectives, and is more indicative of the reality within which boards operate, especially in SMEs.

Analysis of board role literature suggests that boards perform not just a single role but all four roles: control, service, strategy (Huse and Zattoni 2008; Johnson et al. 1996; Voordeckers et al. 2007; Zahra and Pearce 1989) and mediation (Blair and Stout 2001; Lan and Heracleous 2010). In combination, they can be thought of as a “portfolio” of board roles. By portfolio we mean the collection of main roles played by the board in carrying out its fiduciary and governing duties.

We conducted six case studies among small Tunisian firms. Data was gathered primarily from 26 semi-structured interviews with at least three directors from each firm, including the CEO/owner. The results revealed a range of board functions grouped according to four typical roles of control, strategy, service and mediation. The types of board involvement in firm decision making ranged among the case firms from a passive board classified as a “legal fiction” to a fully active “pilot” type of board depending on the relationship between the board and the CEO/founder and the firm's circumstances. We identified characteristics and dynamics associated with transitions through phases of revolutionary and/or rapid change and/or growth which indicated the most valuable type of board role for each transition. We contribute, thus, to theory on board role approaches, and also to governance practice in SMEs by offering potential guidance to firm leaders for successful navigation through transitional crises.

We conclude the paper by specifying our research agenda and setting out suggestions for further research to further develop a theoretical framework based on our empirical findings.

2. Theoretical background

2.1 Board roles in SMEs: A portfolio perspective

The wider corporate governance literature from which the SME governance literature derives identifies a variety of different roles that boards of directors may adopt in decision-making. The *control*, *service* and *strategy* roles have emerged in this literature as the principal board roles and these have been studied from a variety of theoretical perspectives (Zahra and Pearce 1989; Gopinath, Siciliano and Murray 1994; McNulty and Pettigrew 1999). Stakeholder theory and team production theory have indicated a fourth board role of *mediation* among multiple stakeholder coalitions with divergent and/or competing interests (Corbetta and Salvatto 2004; van Ees, Gabrielsson and Huse 2009).

Table 1 summarizes the main theoretical perspectives derived from the literature, as well as associated board characteristics and role focus.

Table 1: Main theoretical perspectives

Theory	Board characteristics	Board Roles
Agency theory	Controlling body	Monitoring Compliance, conformance and external accountability
Stakeholder theory/ Team production theory	Integrating body	Arbitration, mediation and interface with stakeholders (alignment of interests)
Strategic leadership theory		Leading and guiding strategic direction Establishing organisational culture (values, ethical conduct, ethos) Advising and counselling management
Upper echelon theory	Directing body	Shaping major organizational outcomes Influencing the process of strategic choices

Theory	Board characteristics	Board Roles
Stewardship theory	Supporting body	Legitimizing managers Empowering managers Providing key expertise
Cognitive perspectives		Providing key expertise (decision support) Acting as decision making experts
Managerial hegemony theory		Advising and counselling management Providing key expertise (decision support)
Resource dependence theory	Connecting body	Procuring external resources Managing environmental uncertainty
Social network theory		Making connections through key relationships

Adapted from Karoui (2009)

By integrating within a portfolio conceptualisation the various roles presented in the table we argue that such theoretical pluralism provides a more adequate approach to understanding the board's multiple obligations, especially in an SME context. In this conceptualisation the portfolio of board roles involves linking, supporting, integrating, monitoring and directing tasks where the board acts as a provider, monitor, controller and arbitrator of key resources. Rather than seeing the choice of role as a single function selected from the range of options as presented in Table 1, the portfolio concept promotes the idea that a board may select and play simultaneously a combination of control, service, strategy (Demb and Neubauer 1992) and mediating (Blair and Stout 2001) roles but emphasise a particular role that matches the strategic requirements of the firm's circumstances (Hillman et al. 2000; Pfeffer 1972; van Ees et al. 2009). The combination of roles employed by the board will determine the relative emphasis in balancing the two governance dimensions of regulatory conformance/compliance and organisational performance.

2.1.1 Control, service, strategy and mediating roles

The board's *control* role is consistent with the conformance (or regulatory compliance) dimension of corporate governance (Charreaux 2000). Derived from agency theory the board's main role is organised around the generic concept of the monitoring function (Huse 2007). This role emphasises financial control and monitors past performance through financial accounting methods. The board's control activities also include monitoring firm strategies, appraising the CEO's behaviour and the executive leadership team's performance, defining the executive remuneration policy and assessing the nomination and/or dismissal of executives and/or directors (Matheson 2004).

The board's *service* role draws primarily upon resource dependency theory. In this role the board makes three main contributions: legitimisation (Huse and Zattoni 2008), external linkage (Hillman et al. 2000), and information gathering, advice and counsel (Davis et al. 1997; Muth and Donaldson 1998). The service role may contribute to improved decision quality and therefore affect positively long-term firm performance.

The board's *strategic role* (Zahra and Pearce 1989), includes encouraging discussion and debate, evaluation and, potentially, the initiation of strategic proposals. In this role, directors may make a strategic contribution to the firm from their professional expertise and experience, in the formulation and refinement of strategies. In addition to articulating the firm's mission and setting guidelines for implementation and control of strategy, boards acting in a strategic role may also make a major contribution at critical decision points, such as acquisitions, divestments or takeover bids (Zahra and Pearce 1989).

Team production theory (Kostant 1999; Blair and Stout 2001) explains why corporate boards should function as independent arbiters among corporate constituents who have invested in the entity. Boards are designed to play an intervening or mediating role between the enterprise and society and to help resolve competing claims on the corporation (Corbetta and Salvato 2004; Demb and Neubauer 1992). Boards thus have a dual role in shaping the corporate life-space as an intermediary between the corporation and three other governance forces: regulation, ownership, and societal pressure (Demb and Neubauer 1992; Short, Keasey, Wright, and Hull 1999).

The four board roles thus outlined (control, service, strategic and mediation), represent aspects of the board's overall governance function. While a specific orientation or emphasis is indicated with each of the four roles, respectively, in practice the boundaries between each are less distinct. Rather than being seeing as the sum of the four single roles, we argue for a portfolio approach to board roles (Demb and Neubauer 1992). Each individual board selects a set of tasks most appropriate to the firms' needs from among a spectrum involving monitoring and control, guidance and support, strategy formulation and implementation, and arbitration and mediation. The portfolio approach is consistent with a strategic contingency view of the board's role where directors' involvement in directing the business will vary over time (Bonn and Pettigrew 2009; Lynall et al. 2003), as well as across the company's evolution through its lifespan (Aguilera et al. 2008; Astrachan et al. 2002; Charkham 1994). According to Zahra and Pearce (1989, p 298) "… boards are expected to perform qualitatively different roles at various points in the [firm's] life cycle". Changing board roles are thus relative to changing firm circumstances (Jonsson 2005; Lynall et al. 2003), which are reflected in the growing demands on the board (Huse 2007) and the nature of modern businesses.

We thus suggest that as a strategic decision making group (Forbes and Milliken 1999) boards of directors need to adapt not only to both changing circumstances in their firms' environments (Levie and Lichtenstein 2010) and in their internal complexity (Markarian and Parbonetti 2007), but they may also adopt a pro-active role in the transition process, driving and possibly even initiating strategic change for the firm (Bonn and Pettigrew 2009; Filatotchev et al. 2006).

2.2 Board roles in SMEs: A contingency perspective

In response to a lack of empirical support for single-theory models of boards and firm performance many authors have called for a multi-theoretic approach to research addressing boards and governance (e.g. Daily, Dalton and Cannella 2003; Lynall et al. 2003; Pye and Pettigrew 2005) to better understand how boards function in reality and to re-conceptualise board roles. Researchers have been criticised for a tendency to generalise their findings across a population in attempting to find a universal "one-size-fits-all" solution to board effectiveness (Pye and Pettigrew 2005). Attempts by researchers to fit the world of corporate enterprise into abstract categories that are remote from actual behaviour have also been criticised (Knights and Willmott 1993; Samra-Fredericks, 2000). Lynall et al (2003) contended that it is not a question of whether existing theories are helpful for understanding boards and firm performance, but rather, when each is helpful.

In this study we combine and integrate a strategic contingency perspective of governance with the portfolio conceptualisation of board roles in our framework. We take into account both external and internal company contexts and, similarly, consider board roles as contextual in nature (Huse 2005; Strebel 2004). Such situations may include the institutional context, the industrial sector within which the firm finds itself, the firm ownership context, and its life-cycle stage. Corbetta and Salvato (2004) adopted a contingency perspective in examining board structure, activity, and roles in family businesses. They noted a high degree of heterogeneity in their typology of board composition due to various factors impacting on boards, such as firm mimicry, institutional pressure and internationalisation. Family and business cultures, which shape governance systems, also differ widely across geographical boundaries as well as over time and business life cycle stages (Astrachan, Klein and Smyrnios 2002; Corbetta and Salvato 2004).

From a contingency perspective dynamic boards will adopt and fulfil the roles consistent with the strategic circumstances and requirements of the firm (Hillman et al. 2000; Pfeffer 1972). The view that board roles change according to firm circumstances (Jonsson 2005; Lynall, et al. 2003) is thus central to our theoretical framework. A particular situation which is often problematic in SME governance concerns the power relationship between the owner-founder/CEO and the board. These dynamics will play out in the actual role played by the board.

2.2.1 Shift in the balance of power

Hermalin and Weisbach (2003) examined factors that affect board composition and how boards evolve over time. They found that this evolutionary process depends on the bargaining power of the CEO relative to that of the directors. They also noted that boards exist for a variety of reasons besides being the product of regulation, hypothesising that boards are primarily a market solution to an organisational design problem. With regard to board composition Hermalin and Weisbach found that closely held firms in which the founders remain active and where the CEO has a large ownership position tend to have insider-dominated boards. In contrast larger and older firms are more likely to have professional management with small ownership stakes and outsiderdominated boards. They found that changes in board composition are likely to occur after abnormally poor firm performance or a change in CEO, with inside directors being replaced by outside directors.

Finkelstein (1992) identified several dimensions of power: structural, ownership, expert, and prestige, each of which may be relevant to the extent of their influence on board formation. At the entrepreneurial stage some organisations will seek equity financing and this will often coincide with the formation of a board or a change in board composition. Lynall, et al (2003) argued that various corporate governance theories will have differential applicability to board formation across different stages of the life cycle, and will also depend on the relative power of the CEO and financier. Social network theory may have greater explanatory power at this stage when the relative power of the CEO/financier will determine whose social network the board reflects. Resource dependency theory, in contrast, helps illuminate board composition in the intermediate stages of collectivity and cooperation and the formalisation and control stages of the firm's life cycle, when CEOs have dominant power. On the other hand, institutional theory will be particularly applicable to board formation at the formalisation stage when CEOs have relatively strong power, while agency theory will be more illuminating at the formalisation and control stage (Lynall et al 2003).

3. Methodology

Case studies were conducted among six Tunisian SMEs. The main characteristics of the case-firms are presented in Table 3. Data was gathered primarily from interviews, and also from other sources including company and legal documents, company reports and publications, director networks, and media material. A total of 26 semi-structured interviews were conducted between 2011 and 2012 with at least three directors from each firm, including the CEO/owner. Interviews lasted between 30 minutes and an hour-and-a-half, yielding more than 20 hours of audio-recorded and transcribed material. Most of the interviews were conducted in French, with some in English and Arabic and then translated into French. Transcribed interviews were categorised by theme according to the different tasks associated with each board role derived from the literature review (Bardin 1977; Miles and Huberman 2009) (see Table 2).

Table 2: Tasks defining board roles from literature review

Board activities	Authors
Control role activities	
Select executives	
Monitor, assess, reward executives	Pearce and Zahra (1992)
Protect shareholders' interests	
Monitor financial statements	Finkelstein and Hambrick (1996)
Monitor managers (hiring, firing, remuneration)	Johnson et al. (1996)
Approve managers' decisions	
Control strategy implementation	Hillman et al. (2000)
Plan CEO's succession	
Assess and compensate CEOs	
Strategy role activities	
Define the business model	
Define firm's mission	Pearce and Zahra (1992)
Decide and implement strategy	
Service role activities	
Advice on technical element	Whisler (1988)
Advice CEO and managers	Johnson et al. (1996)
Represent firm's interest	
Link to firm's environment	Pearce and Zahra (1992)
Expand network for resources	Finkelstein and Hambrick (1996)
Mediation role activities	
Build, maintain and work for actors' consensus	
Reconcile conflicting positions	Kim, Burns and Prescott (2009)
Balance stakeholders' interests	Vandewaerde et al. (2010)

The primary board role for each firm was established by counting the number of references made by the firm's interviewees to tasks within the role categories. Interviewees were asked to concentrate on one strategic change within the life course of the SME and then describe the board role and/or its changes along with changes experienced by the firm.

4. Results

The main characteristics describing the six case companies are presented in Table 3.

Table 3: Case company characteristics

Company	Company Type	Industry	Ownership Type (Shares)	Founder as CEO	Company Size (Staff)	Company Age	Annual Ave. Revenue (€M)	Board Size	Board Composition	Board Meeting Frequency (per year)
TI	Non-Public	IT solutions	99% (CEO)	Yes	49	1987	7	9	6 Family 3 Outside	2-4
SW	Private Subsidiary	Con--struction material merch-andising	99% (Family)	No	14	2009	1,2	7	3 Family 4 Outside	4 + informal preparatory
SD	Non-Public	Pharma-ceutical	51% (Founder)	Yes		1990	2	12	3 Family 6 Friends	2-4
IN	Non-Public	Plastic extrusion and profiling	93% (Family)	Yes	268	1972	12.5	7	6 Family 1 Friend	1
ED	Non-Public	Real Estate	51% (Family)	No	100	2002	4	6	2 Family 5 Outside	3-4
AB	Listed (2005)	Automobile parts production	61% (Family)	No	600+	1938	30	10	7 Family/ Affiliated 3 Outside	4 + informal preparatory

The following discussion outlines the board dynamics reported in each of the six cases.

4.1 Case TI

In this company a board of nine directors comprises six family members, three of whom are the CEO's wife and two daughters, and three outside directors and is led by the CEO/founder. Rather than involving the board in decision-making, and especially strategic decisions, the CEO looks outside the firm for advice and consultancy. The CEO trusts only one of the outside directors who shares the same engineering school background, despite other board members being professionally qualified (in management and engineering). While the CEO regards director competences as important, there is neither apparent awareness of the diversity of directors' skills on the board nor acknowledgement of the strategic contribution that a board may make. To the CEO, having a board is simply a formality.

The CEO is in a central and hegemonic position. The board of directors has undergone transformation over the years. Two major periods characterize the board's dynamism, beginning with a dispersed ownership and one main financial institutional shareholder. However, a change in the composition of the company's board has led to a shift of power from shareholders and directors to the CEO.

The company uses a dual statutory audit, the first in accordance with the Commercial Code and the second informally. The move to this format has eliminated the involvement of the board in its oversight role so that over the years it has become passive and the CEO regards the directors as "irrelevant". Conversely, the directors believe their board to be active, serving strategic and service roles. The board has been retained but functions as a "rubber stamp" (Huse 2007), ratifying strategic decisions made by the CEO.

4.2 Case SW

The company is a subsidiary of a large private group of about 50 companies in different sectors including banking, insurance, leasing, tourism, trade, industry, and health. Since the SME's inception the board has played a very active role. This can be explained mainly by the recruitment policy for directors based on skill and experience and while still at an early development stage, the company continues to evolve strategically by intention toward sustainable profitability. The CEO/owner has deliberately constituted a board of directors with expertise and experience. The board is perceived by the CEO and its directors as an active advisory board playing all four roles, with substantial emphasis on strategic decisions for the business.

4.3 Case SD

The board's 12 directors comprise two family members, and 10 friends/affiliates. The board meets as determined by the CEO/chairman, between two and four times a year. Board meetings last four to five hours and while there is substantial discussion, which often strays into management, most decisions are made outside formal board meetings. The board is dominated by the CEO/chairman who makes all strategic decisions. The board's focus is on control and monitoring and, according to the CEO/chairman, has no useful strategic contribution to make to the firm, serving as a rubber stamp for his decisions.

While limited by the CEO/Chairman's dominance, the other directors see the board's role as service and strategy, serving as care-giver and controller. The directors believe they serve to challenge the CEO/chairman's assumptions and often narrowly-focused position.

4.4 Case IN

Six of the board's seven directors are family members qualified in engineering, finance or economics. The two requirements for a director on this firm's board are family relationship and professional experience, with the firm's management required to be in the hands of the family. While the board meets officially once a year, the justification is that because the directors are almost all family members and are involved in the company on a daily basis, formal meetings to discuss strategic and operational issues are superfluous.

Decision-making rests with four family members who are the key advisors, three of whom are directors including the CEO, the founder and the chairman. To these three directors who control and manage the company, the rest of the board is seen as ineffectual and decisions are made outside formal board meetings. The collective group is important, however, especially for mediation of conflict among family board members. For this board the three dominant directors play all four roles but act primarily in a pilot role, while the remainder of the board acts as a rubber stamp.

4.5 Case ED

Of the six directors only one is a family member who owns a majority (51%) of the shares, the rest being dispersed. The board meets three to four times a year for two to three hours. While the CEO would prefer a greater frequency of formal meetings for important discussions, friendship ties developed over time among the directors mean that these meetings are informal.

Board composition is based on skills diversity rather than family links and the directors have widely different backgrounds and sector experience, including audit, car sales, financial broking, archival, engineering, textile, and farming. The focus on diversity in director selection facilitates a primary advising, consultative role that supports management, while financial control is delegated to the managers so that board energy can be focused on strategic issues. The board is seen as a forum, a source of decision input and information sharing, and a decision-making unit for development of new strategic horizons for the company. While it also mediates stakeholder conflict over key strategic decisions, as well as performing the strategy and control roles, the board sees itself in a service role providing moral, logistical and financial support.

4.6 Case AB

The 10-member board comprises seven family or affiliated directors and three outside directors. The main selection criteria for external directors are professional experience, skills and diversity of ideas. While the board meets quarterly, "preparatory meetings" allow greater information exchange and interaction among directors.

Board meetings focus on strategy, company development and decision making processes, as well as monitoring and approving the financial accounts.

The board is seen as not only useful but also essential, playing a crucial role in the company. While the founder remains a key board member respected for his expertise and experience, a democratic leadership style predominates. Having transitioned from primarily a monitoring board where key decisions were made by a small core group, to a fully active, competent, well-functioning and effective board of directors acting primarily in the strategic and service roles, this transformation is reflected in the company's development and its financial performance. The board's role transition during the IPO phase also required it to act as mediator reconciling and balancing family shareholding and company interests.

5. Discussion and conclusion

Our findings shed some light on the complexity of SME board roles which cannot be explained adequately by a single theory independently from organisational context and value creation (Huse, 2000, 2005, 2007). Compared with Fama and Jensen (1983) who claimed that boards could exist for a purpose of value protection, our results (summarised in Table 4) show that even supposedly passive boards may play a key role in value creation.

Table 4: Board role attributes

Board Attributes	**TI**	**SW**	**SD**	**IN**	**ED**	**AB**
Impact on firm	No	Yes	Indirect	Indirect	Yes	Yes
Efficiency	No	Yes	Yes	Yes	Yes	Yes
Board dynamism perception	Passive	Active	Passive	Passive	Active	Active
Convergence in directors' role perceptions	No	Yes	No	No	Yes	Yes
CEO hegemony	Imposed and accepted	No	Imposed and accepted	Perceived	Perceived	Perceived
Leadership	Autho-ritarian	Demo-cratic	Autho-ritarian	Autho-ritarian	Demo-cratic	Demo-cratic
Roles	Discussion of *strategic* orientation	All four roles with primary emphasis on *service* role	Focus on *control*	Focus on *control* and *strategy*	All four roles with primary emphasis on *service* and *mediating* role	All four roles with primary emphasis on *strategy* and *service* role

Board roles in the case companies are shown to be varied and emerge from company circumstances. For these firms the board's roles are based on decisions taken by individual directors (e.g. dominant CEOs or founding directors) and imposed on the board or made collectively by the board as a whole. Board members in these firms have certain expectations about the board's tasks and its role. These expectations may or may not be aligned with those of the CEO/founder. Nevertheless, the board has an impact, direct and/or indirect, on firm performance. Boards which are perceived to play only a rubber stamping role are still valued for advice, debate, mediation and challenging the CEO/founder. As such, the notion of the board as a legal fiction (Demb and Neubauer 1992) is misleading in these case firms.

Moreover, the idea of the pilot board as being fully engaged in all of the board tasks is also somewhat misleading for the SMEs in this study. When the CEO/founder dominates the strategic decision making process, the board, while an active and key participant, plays a more focused role than theory suggests for the fully engaged pilot board. A key finding from our study is that due to SME heterogeneity, firm dynamism and contingencies, board roles will vary among the four main role types and will exhibit different task emphases depending on the characteristics of the firm and its development, the ownership structure and the relationship between the CEO/founder and the board.

Our results show that in three of the firms where leadership is democratic and power is shared between the CEO/founder and the board, all four roles are played but with an emphasis on a particular role or a set/combination of roles. These three boards' contribution appears to be the most valued and to have the greatest influence on the firm. Directors in these three firms are selected for their competencies – whether or not they are family members or affiliates –complementing the CEO/founder's vision, drive and expertise. Our analyses show that board roles can be used in a portfolio configuration (IN, ED, SW, AB) or in a dominant single role configuration (SD, TI) even when classified as passive.

We have argued that effective leadership will be commensurate with an appropriate shift in the balance of power from management to the board as the firm evolves and becomes more complex in its structure and systems, and when the board understands how it can best make a strategic contribution to the firm. Regardless of the stage in the firm's development, our results suggest that boards' greatest contribution will be made when emphasis is placed on the type of role and requisite competencies that are consistent with the firm's circumstances and will shift in emphasis as the firm evolves. The three firms whose boards most closely demonstrate the portfolio role concept have adapted over time and appear to function more effectively than the boards in firms with autocratic leadership styles and limited board roles. The three firms where the board is perceived as active exhibit primarily a strong service role followed by a strategy role, whether or not the CEO is also founder.

Our particular contribution to understanding board roles in SMEs is in highlighting that not only during periods of instability and crisis but also between such transitional phases that boards need to be cognizant of the most appropriate role for their leadership contribution. This cannot be achieved successfully if the CEO/founder maintains a stranglehold on decision-making processes. The challenge for the board and the firm is to navigate through these states of punctuated equilibrium, where instability may mark a new phase of revolutionary growth.

While further research is required to confirm and validate our findings, our study provides encouraging initial support for the portfolio concept which more adequately captures the role and purpose of a board in the SME context.

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