

## **What are we saying when we talk about corporate governance?**

### **Abstract**

The paper analyses the discourses of corporate board members with regard to their world-views of governance and the influence that their collective mind-sets might have on the wider practice of governance. The metaphors employed by board members to describe corporate governance are examined and compared with the literature to establish the extent to which they reflect normative theory and prescription. Our analysis confirms an overwhelming pre-occupation among board members with compliance and control, which may have unintended consequences, as well as implications for organisational innovation and enterprising. The paper also contributes to the literature in examining the value of metaphor based, interpretive discourse analysis as a methodological approach outside the usual frameworks of corporate governance research that may contribute a new perspective on mental-models-in-existence among practitioners and enhance theory development.

**Key Words:** Boards, discourse, metaphor, compliance, control, unintended consequences.

### **Introduction**

With regard to definitions and scope of governance, attention has focused, both in scholarship and practice, on accountability, the regulatory environment within governance, the assurance of compliance with regulations and control over the organisation's management, as well as the search for universal principles of conduct (Short, Keasey, Wright and Hull, 1999). But Healy (2003) warns of a risk that, with such an emphasis, directors' potential to contribute in the areas of leadership, strategy making and innovation will be neglected.

Against this pre-occupation with the structural “conformance” dimension of governance, board members' day-to-day experience has tended to be ignored. After reviewing 127 empirical articles on board behaviour and governance, Gabrielsson and Huse (2004: 24) concluded that most of these studies considered boards to be an isolated “black box”, “assuming that the behavior and conduct of directors can be inferred from the board’s demographic characteristics... [These researchers thus] neglect board processes, such as interactions among groups of actors, board leadership, the development of rules and norms, and the board decision-making culture”. Gabrielsson and Huse (2004) noted that behavioural perspectives on boards are still largely unexplored, but insights into their processes would add significantly to our knowledge of effective boards and governance. Daily, Dalton, and Cannella (2003) stated that governance researchers too seldom embrace findings that go against their narrow conceptualizations of the entirety of corporate governance and argued that there is a need to dismantle fortresses in research about boards and governance.

Where studies have sought to open the “black box”, attempts by researchers to quantify board members’ attitudes (e.g. Kirkpatrick, 2009; Robins, 2006) may fail to articulate the authentic voices of those involved. As far as we can ascertain, studies that have directly sought directors' views of governance are scant. To the best of our knowledge no studies have examined board members' world-views and experience of governance in relation to how their collective mind-sets might influence, endogenously, the wider practice of governance. Attention has instead focused mainly on impacting governance practice, exogenously, through imposing tougher rules and tighter regulations based on a narrow reading of governance and corporate intent. Pye (2002), for instance, reported on how concentration of power in UK companies has led to a decisive shift in the rhetoric of directors, investors, and financial analysts toward phrases like “shareholder value”, to the exclusion of other conceptions of corporate purpose.

When directors are asked to outline their experience of governance, what do they say? What images of governance might directors most commonly convey in their discourses? How far do they echo theory, and how do they represent the governance contribution to the management task? Is governance seen as a strategic activity, a stewardship activity, or a control activity? Which of these board tasks is most strongly represented in directors' views? And do directors respond to apparent conflicts and paradoxes between them? With the criticisms of governance research highlighted above and these questions in mind, we chose to sample the discourses of board members across a range of large corporations, exploring their conversational language and imagery while they talked about governance in informal interviews. By applying discourse analysis to such accounts, we were able to note dominant and non-dominant images of, orientations to, and paradoxes in, corporate governance, and to compare these conceptualizations with scholarly theory and recommended practice.

The objectives of this paper are threefold: first, to examine the metaphors employed by board members to describe corporate governance in the hope of generating meaningful insights into perceptions of the purpose and role of governance. Second, the metaphors emerging from the data in our study are compared with the literature on corporate governance to establish the extent to which they reflect normative theory and prescription. Third, and most significantly, the paper examines the value of a metaphor-based approach as a tool for analysing models of corporate governance. This analysis may contribute a new perspective on mental-models-in-existence among practitioners and enhance theory development by adopting a research approach outside the usual frameworks applied to corporate governance research. For this reason we discuss the method in some detail. The paper seeks to show how this interpretive method of discourse analysis could be used as a practical tool for better understanding and diagnosing governance problems and for the management and design of governance structures more generally.

## Metaphor in Theory

Derived from the Greek *metapherein*, meaning transference, metaphor can be understood as a figure of speech used to imply resemblance between an action or object, event or experience on the one hand and a widely understood word or phrase on the other. Its function is to communicate “the unknown by transposing it in terms of the known” (Gowler and Legge, 1989: 439). At a simple level, “metaphors involve the transfer of information from a relatively familiar domain (*source* or *base* domain) to a new and relatively unknown domain (*target* domain)” (Tsoukas, 1991: 568). Meaning occurs through “the familiarity of the links between two domains – a source and a target” (Oswick, Putnam and Keenoy, 2004: 109).

The use of metaphor is pervasive in everyday life, not just in language but also in thought and action (Lakoff and Johnson, 1980). In terms of how we both think and act, our ordinary conceptual system is fundamentally metaphorical in nature. As Morgan (1983: 601) asserted, metaphors are “a basic structural form of experience through which human beings engage, organise and understand their world”. Metaphor is described by Morgan (1996: 228) as “a primal, generative process that is fundamental to the creation of human understanding and meaning in all aspects of life”. Because metaphors are ubiquitous in everyday discourse, however, we are often oblivious to their occurrence and their underlying meanings (Lakoff, 2004).

While metaphor can be regarded simply as a device for elaborating discourse, it has greater significance in implying a way of thinking and seeing which pervades our appreciation of the world in general. Research in a wide variety of fields has demonstrated that metaphor wields a formative influence on language, thought patterns and everyday self-expression (Stokes, 1998). Metaphors are not neutral, merely representing an external reality: they also constitute that reality in the minds of an audience, often advocating or stipulating

how that reality should be perceived and considered (Cornelissen, 2004; Harré, 1984). Metaphors-in-use also may create their own self-fulfilling reality (Ghoshal, 2005; Lakoff and Johnston, 1980). As expressed by Lakoff and Johnson (1980: 112), “Since much of our social reality is understood in metaphorical terms... metaphor plays a very significant role in determining what is real for us”.

In the context of organisations, formal analysis, interpretation and diagnosis relies on the application of some kind of theory of the situation under consideration (Stokes, 1998). Theory is by nature both pervasive and an interpretation of reality. Theories and explanations of organisational life are based on metaphors that lead to perceptions and conceptualisations of organisations that are distinctive yet partial, characteristically eliciting one-sided insights while tending to force other explanations into the background (Stokes, 1998). Morgan (1980), for example, explored organisations characterised as (among other things) machines, and organisms, and brains: each metaphor expresses a truth about organisations, yet none provides a complete explanation; hence his advocacy of “multiple metaphor”, in which disparate aspects may coexist in a complementary or even paradoxical manner.

While they may not be recognised as such, many taken-for-granted ideas about organisations and how they function are metaphorical. This means that we are essentially unaware that our views and beliefs are being framed by powerful organisational actors through the subtle and not so subtle use of metaphors, thereby shaping our perception of particular circumstances (Tourish and Hargie, 2012). With regard to organisational leaders, metaphors they use are “not linguistic decoration or verbal artistry: instead, metaphors are indicative of leaders’ thinking and form a basis of their actions” (Oberlechner and Mayer-Schoenberger, 2002: 5).

The study of metaphors employed by those in leadership positions of major organisations is therefore of critical importance (Tourish and Hargie, 2012) if we are to

understand and address corporate issues that have implications beyond the organisations' individual existence. However, when used as a research method, good analysis depends not only on identifying which metaphor fits best, but also with using metaphor to unravel multiple patterns of significance and their interrelations (Morgan, 1986). This paper seeks to illustrate how this might apply through exploring the implications of different metaphors for thinking about the nature and practice of governance in organisations.

### **Metaphor as a research method**

In the last two decades metaphor has achieved prominence in social science within the disciplines of philosophy, psychology, cognitive science and organisation theory (Boxenbaum and Rouleau, 2011; Cornelissen, 2006), with a growing interest in the adoption of metaphor and critical discourse analysis as research tools. As a consequence of this interest the study of metaphors in the broad terrain of organisation studies has expanded enormously (El-Sawad, 2005; Heracleous and Jacobs, 2008; Putnam and Fairhurst, 2001).

In the organizational context, Fleming (2005: 48) noted that “The use of metaphor in scholarship is an important dimension of theory development and empirical analysis that enables researchers to visualize organizational processes from multiple perspectives.” As a method of analysis metaphor offers the possibility of developing rich insights into the mind-sets of organisational leaders, and the likely impact on their cognitive processes.

Miles and Huberman (1994) believe that metaphors encourage researchers to look beyond existing concepts and models, thereby helping to unveil features currently obscured from view. Individuals draw on metaphor to convey feelings and thoughts and to express experiences, ideas and emotions that might otherwise remain unarticulated. The utility of metaphor as a method of analysis is in offering insights to hidden, barely conscious feelings and attitudes (Cazal and Inns, 1998: 179; Miles and Huberman, 1994). This generative

capacity of metaphor (Alvesson, 1994; Lakoff and Johnson, 1980; Morgan, 1996; Tietze, Cohen and Musson, 2003) offers the possibility of accessing new conceptual insights.

Metaphors are not always stated explicitly but are often embedded in the deep structure of a text (Tourish and Hargie, 2012). For this reason analysts need to draw out metaphors' implied and explicit inferences, their paradoxes and contradictions, as well as paying attention to their formal content and intent. Unless they are so superficial as to offer no new meaning, metaphors can thus generate powerful, vivid and evocative imagery (Oswick and Grant, 1996a, 1996b) through their "ability to create and privilege new understandings while obscuring others as they become the scaffolding around which thoughts cohere" (Fairhurst 2011: 181). Metaphors allow cues from one context to be applied to the understanding of another whereby, in a particular context, a given world-view may be imagined or reconstructed (Oswick et al., 2004), and are powerful precisely because of their capacity to frame perceptions (Fairhurst, 2011).

### *Discourse Analysis and Metaphor*

While scholarly work on governance from a discourse perspective using metaphor is, as we have noted, scant, discourse theory and analysis methods have been used to highlight many aspects of organisational life, including leadership (Fairhurst, 2009), human resource management (Keenoy, 1990), change processes (Buchanan and Dawson, 2007), public sector management (Ford, 2006) and total quality management (Xu, 1999). Discourse approaches use sophisticated conceptual and methodological thinking and practice (Grant, Hardy, Oswick and Putnam, 2004) to explore how the meanings of phenomena are socially constructed, performed, contested and negotiated (Grant, Iedema and Oswick, 2009). Given that there is a plethora of discursive methodologies available, the intent of this section is to establish our understanding, approach and methods with respect to discourse and the use of metaphor.

While discourse analysis can be seen as a “constellation of perspectives” (Fairhurst 2009: 1608) held among many discourse researchers, they nonetheless tend to share an understanding of discourse or language as constitutive, and not merely reflective, of reality. Discourse does so primarily through being “a powerful [sub/unconscious] ordering force” (Alvesson and Kärreman 2000: 1127) through “providing sets of representations, statements, narratives, images and codes” (Kuhn, 2006: 1342) that shape both the interpretation and practice of processes (such as governance). Allison and Kärreman (2011: 20) suggest that we think of the nature of the “shaping” in terms of “attention-shaping, agenda-setting and sometimes action-implying”. In so doing we can see that discourse, while unable to account for everything to do with governance, can give insight into particular perceptions, mindsets and intentions.

Given that discourse-based research is exceedingly rare in the governance field it is pertinent to address its value and difference. Firstly, discourse directs attention to the constructedness of concepts where ways of talking and acting can be legitimised and sanctioned or restricted and constrained (Grant, Iedema and Oswick 2010). Accordingly, a domain such as governance can be a negotiated and contested territory where different beliefs and values can paradoxically both co-exist and be in conflict. Discourse approaches are used to explore and determine the meaning(s) of this type of social process for those who are involved in it. From this reasoning, discourse analysis has the capacity to reveal the “struggle” or tensions (Grant, Keenoy and Oswick, 1998) that traverse the terrain of any social process such as governance. The assumption here is that the meanings of such processes are fluid, producing something akin to a layering or nexus of multiple ways of seeing and being in governance that are unstable, contradictory and precarious. Discourse analysis can track “the continuous disassembly and reassembly of new forms and patterns” (Iedema 2007: 936) of such processes and bring some visibility to the paradoxes and conflicts



which such movement between meanings inevitably creates or heightens. In doing so, we note Alvesson and Skoldberg's (2009: 232) point that any textual or discourse analysis can never fully assert what beliefs or meanings people "really hold". Nevertheless "it is possible to focus on utterances which reflect attitudes": how and in what contexts they are expressed and constructed, and the functions they fulfil.

### **Metaphor in the Corporate Management Literature**

A search of the organisation and management literature relating to metaphor in scholarly research reveals predominance of its use as a method of analysis in the area of social sciences and in particular, organisational studies (e.g. Beattie, 2005; Cornelissen, 2006; El-Sawad, 2005; Hussain and Cornelius, 2006; Inkson, 2006; Morgan, 1980, 1986, 1997; Oswick and Montgomery, 1999). These authors have adopted metaphor as a basis for analysis in relation to evaluating, comparing or grounding perceptions and meaning within topics ranging across business ethics, organisational stakeholders, images of organisation and organisational identity, and personal career paths. In a related area within organisational studies, metaphor analysis also appears in business leadership studies (e.g. Amernic, Craig and Tourish, 2007; Beattie, 2005; Tourish and Hargie, 2012).

El-Sawad (2005) used metaphor analysis as a method of studying organisational and working life and the conceptions of career. Tourish and Hargie (2012) conducted a similar study in relation to the banking crisis where they analysed the responses of four senior bankers from major banking corporations in the UK who were called to give evidence to the Banking Crisis Inquiry of the Treasury Committee of the UK House of Commons. Their paper explored the root metaphors that emerged in the bankers' testimony which sought to explain the crisis, deal with their role within it, and respond to the torrent of criticism in which they were engulfed.

Reference to metaphor similarly features in the field of corporate law with regard to shareholders as stakeholders (Green, 1993), inconsistency regarding value choices in use of metaphors (Greenwood, 2004), the Sarbanes-Oxley Act (Kuschnik, 2008), corporate policing (Baer, 2008), impact and comparison of European boardrooms and American law proposals (Norburn, 1985), and banded contracts (Fort and Noone, 1999). While the use of metaphor within the corporate law literature makes reference to aspects of corporate governance, such reference is made with regard to legal compliance and legislative issues.

Within the wider corporate governance literature, however, *specific* reference to the use of metaphor is notably limited, either as a figure of speech or, more particularly, as a method of research analysis. A search of business and scholarly databases currently yields only two references where metaphor features as a way of understanding certain aspects of corporate governance. In these two papers, respectively, Dragomir (2008a) used metaphor to address issues of legitimacy and accountability affecting corporate governance codes, and Gardiner (2006) claimed to relate transactional, transformational and transcendent forms of leadership metaphorically to the evolution of theory and practice of corporate governance.

Nevertheless, the corporate governance literature makes use of metaphors in its language, as indeed we have done in titling and introducing this paper. The most often used metaphor in the governance context is that of the Orwellian idea of “Big Brother” (e.g. Kuschnik, 2008) with reference to the compliance dimension of corporate governance and board oversight of management. This idea of close scrutiny is most often linked with perceptions of draconian measures in the Sarbanes-Oxley Act 2002 and the concept of the board of directors as a corporate “watchdog” (e.g. Brown, 1994; Gillette, Noe and Rebello, 2003, Johnson, 2005), or with a corporate regulator and the idea of “policing” (e.g. Baer, 2008, Henry, 2004). In this context notions of surveillance and intrusion convey a negative image of governance. However, in a more positive light the role of a corporate board has also

been referred to as that of a “pilot” in relation to its directing function (Demb and Neubauer, 1992, Johnson, 2005) and the performance dimension of governance.

With regard to codified structural requirements for board composition, Drucker (1974) and others have termed boards as a governance mechanism that mainly ratifies or “rubber stamps” management’s decisions, and as a “legal fiction” (e.g. (Galbraith, 1967; Mace, 1971; Herman, 1981; Vance, 1983; Wolfson, 1984). Thus metaphors are used to convey particular meaning for corporate governance as a system (e.g. accountability, checks and balances, power, control), an institution (e.g. legitimacy, authority), a framework (e.g. rules, codes, relationships, processes, practices), a function (e.g. agency, compliance), or as actors or players (e.g. agents, principals).

Gardiner (2006) applied what he termed the metaphors of “transactional”, “transformational” and “transcendent” to the leadership role of corporate governance, although such terms are not those usually associated with the language of metaphor, but instead suggest concepts. Applying the concept of transformational leadership to describe Jack Welch’s management style, Amernic et al (2007) identified from his letters to shareholders five root metaphors: “pedagogue”, “physician”, “architect”, “commander” and “saint”. Their study was located not within the corporate governance literature, however, but as with Tourish and Hargie’s (2012) study of bankers, within that of organisational studies.

## **Research Method**

In this study, interviews were conducted with 36 CEOs and 25 Chairs of participating organisations which ranged across public, private, state-owned, multi-national and not-for-profit sectors in New Zealand. While the intention was to obtain for the sample, equal numbers of CEOs and Chairs, the difference in the numbers of each reflects multiple

appointments of Chairs across the organisations, as well as internationally-based Chairs not available for interview.

Interviews focused on the areas of *leadership*, *governance*, *strategy* and *ethics*. As stimuli, these words were printed on cue-cards (one word per card) and used by interviewers who placed and moved them in front of participants to elicit stream-of-consciousness responses. Participants were invited to position (and juxtapose) the cards as they discussed relationships between concepts; questions were then shaped which probed and elaborated their thinking. Nine interviewers collected 84 hours of recorded material which was transcribed then analysed, paying attention to the participants' syntax, imagery, word choice and text structure for indications of how governance is formed in directors' mind-sets and consequently, has "structuring effects" (Alvesson and Kärreman, 2000: 1138). The intention in this analysis process was to move beyond analysing "pure talk" (Alvesson and Kärreman, 2000: 1138) to discern how such talk may shape governance thought and practice.

The approach we used for our data analysis is consistent with approaches advocated by Jäger (2001) and Leitch and Palmer (2010) for critical discourse analysis, as well as Cornelissen's (2006) and Amernic et al's (2007) approach to metaphor. From this material we read and re-read text in detail in a process of "close reading" (Amernic et al., 2010; Turnage, 2010; Alvesson and Skoldberg, 2009) and assembled "connected set[s] of statements, concepts, terms and expressions" (Watson, 1994: 113) that appeared to speak to constructions of governance in specific and distinctive ways. The intention was to identify metaphors-in-use, since, as stated by Eubanks (1999:195), "metaphor is rhetorically constituted. No metaphor is spoken or written except in the context of a socio-historically bound communicative situation". From this process root metaphors were mapped and detailed examples of each were compiled.

While the bulk of our analysis presents and discusses such clusters of talk or discourse, we were also conscious of discourse as a “structuring principle of society, social institutions, mode of thought and individual subjectivity” (Weedon, 1987: 41). We therefore organized, from analysing across the clusters, four such structuring principles or root metaphors so as to better uncover the mindsets, perceptions and assumptions of governance. Of particular interest was the way in which such a process “ruled in” certain ways of talking about governance that are deemed acceptable, legitimate and intelligible, while also “ruling out”, limiting and restricting certain aspects of how governance might become possible (Grant et al., 2009). We believe that the visibility of such “rules” can enhance the understanding, discussion and practice of governance.

## **The Metaphors**

Of interest from our analysis was the set of four images that seemed archetypal, into which the vast majority of the material produced by our participants could be categorized. Here, we first note two images that were major, in that each of them accounted for a great proportion of our material. Furthermore, both represented major, but different, discourses of control, which we labeled respectively “governance as *managerial control*” and “governance as *strategic control*”. The other two images were minor, in that although each of them was distinctive and was embodied in a moderately-sized amount of participants’ discourse, this portion was minor compared with the other two images. These images were of “governance as *power balancing*”, and “governance as *wise mentorship*”. We concede that the classification is our own: others might make different interpretations. Each of the images is elaborated in the following sections by verbatim examples from participants’ discourse, along with discussion of the metaphors and the suggested framing effects that arise from them. In our discussion we also relate the discourses to key corporate governance literature.

## 1. Governance as Management Control

This set of metaphors, which constituted more than half of our total material, was about control over management's actions and decisions. For example:

*The word governance typically is associated pretty much with conservative rules, policies, checking and rigour. (CEO)*

Classic descriptions of managerial control (e.g. Kerklaan, 2011 and OODA Loop) specify a series of logical steps, such as:

1. Specify standards to be reached, or outcomes to be achieved or avoided;
2. Monitor the situation to observe or measure actual performance or actions;
3. Compare the observations or measures with the original objectives;
4. Take action to rectify any discrepancy.

Nearly all participants' control metaphors clearly followed the parameters described in management frameworks for the exercise of close control over managerial operations. Of interest, however, is the specific language used.

### 1.1. *Standard Setting: Framework- and Boundary-maker*

The metaphors used for the first stage of the control process were about creating structures – a mechanistic image which clearly existed as a basis for control:

*So, it's providing the total enterprise with some framework within which it can operate and act as a control mechanism. (Chair)*

*I'd say it's a bit like the foundation. If you're building a house it's the foundation. (CEO)*

*To me it is the fabric and the skeleton that we overlay over an organization to control and direct its operation. (Chair)*

Some directors used the notion of construction as a contrast with leadership, which must operate *within* the structures created by governance:

*It's like governance is the framework or the house, but the leadership is like the flavor of what you do inside it. (CEO)*

*Governance provides the framework in which the leadership takes place but at the same time I think the governance expects the leadership to use those rules as guidelines, not to exceed them. (CEO)*

*But my view is that it's fundamentally about creating the guidelines and the policy in a directional type approach. (CEO)*

The notion of constraint was also implicit in participants' frequent usage of the metaphor of *boundary*. Thus:

*The governance piece is saying 'okay, here's the boundary – you can't cross. (CEO)*

*It's control and it's boundaries. It's what you can and can't do. (CEO)*

*Actually being there when needed, setting boundaries. (Chair)*

*Part of creating the garden is creating the boundary. And making sure that the boundary is firm, because that actually keeps everybody within the garden – now I'm back to my safety net. That's a safety net that I think you have to have. (CEO)*

Overall, the standards determined by governance appear to have a constraining, “avoid the negative” rather than “reach the positive” connotation – the delinquent behavior to be eschewed, rather than the quality prize to be gained. One participant noted the paradox implicit in such a view:

*This is one of those paradoxes where I think leadership is going more and more to be boundary-less, and yet governance is increasingly about boundaries. So, how do you manage both of them? (CEO)*

## 1.2. Monitoring: Watchdog

A very large proportion of our metaphorical material on control referred to monitoring which is the second stage of the control function:

*If you wanted one word, it's monitoring. (Chair)*

*However, it's largely a monitoring role. (Chair)*

*And that's why a board [should] probe down into management... its interest will ensure that management knows that there are others who are watching what's happening.*

*(Chair)*

*It's also monitoring the health of the organization. (CEO)*

*Governance tends to have more of a type of watchdog element. (CEO)*

*And to use the collective skills of the governance team... to poke into the corners.*

*(CEO)*

We note the possible negative connotations of “*probing down*” and “*poking into the corners*” that suggest going beyond a straight monitoring role, indicating something more active and interventionist.

### 1.3. Comparison: Auditor

It is in the third stage of the control function that metrics become necessary:

*And then having measuring and monitor[ing] type [controls] that enable you to have compliance with those Board principles of how business is going to operate. (CEO)*

*I think it is about principles, but it's about having sufficient measurability of those things so that they can be audited. (CEO)*

It is in this process too that the control function of directors appears to become most concrete and vivid:

*The governance guy.... is the guy who's clipping the tickets for the audience to come in and watch the orchestra. He's accounting for x number of people. He's got 3000 tickets*



*in his hand and it equates to what we've booked – perfect. That to me is governance.*

(CEO)

*To me governance – and this is my personal view – leadership is king; governance is the safety net to make sure that you are ticking the boxes and things are done in a way which is appropriate. (CEO)*

*And it's almost like boards have been consumed or taken over by that so your audit and risk committee stuff, you know, it's all clipboards and testing and it's almost like the board and the chief executive on different teams. (CEO)*

We note the almost clerical emphasis in “*clipping the tickets*”, “*ticking the boxes*”, “*clipboards and testing*”, and in the last quote the emphasis on this being the likely point at which excessive control by the Board may ruffle the feathers of management.

Our data suggest that the monitoring/auditing functions are perhaps the most common metaphor associated with governance. An auditor is defined by Bazerman, Morgan and Loewenstein (1997) as one who examines accounts or records to check their accuracy, and adjusts, independently verifies and certifies accounts. The notion of impartial close scrutiny of financial records to verify and confirm the veracity of their reporting statements is also a fundamental aspect of corporate governance and accountability for the organisation's use of assets and its performance. This view echoes the OECD's Principle VI.D.7 (2008: 25) which states that corporate governance is “Ensuring the integrity of the corporation's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.”

With regard to the fiduciary responsibility of the board, the OECD (2008: 151) observed that “In some countries, the board is legally required to act in the interest of the company, taking into account the interests of shareholders, employees, and the public good.”

This formulation departs from a thoroughgoing agency theory perspective in that it highlights the board's responsibility to employees and society as well as to the owners. It is notable that there is no mention of this wider responsibility in the discourses of our participants.

Financial reporting and the audit function were originally developed as methods of ensuring effective stewardship, through which the board is held accountable to shareholders. The audit committee, a concept and mechanism widely adopted in governance codes globally, has a key role in ensuring the high standards of financial reporting that are essential for the confidence of financial markets. An audit committee is a sub-committee of the board of directors (normally consisting predominantly of non-executive directors) that assumes responsibility for representing boards of directors on oversight matters related to financial reporting, auditing and overall corporate governance (Public Oversight Board, 1993; Treadway Commission 1987; Wolnizer 1995; DeZoort and Salterio, 2001). Functions of an audit committee include overseeing how the business is controlled, reported on and conducted; reviewing the annual financial statements; and acting as a liaison between the auditor and the board of directors (Spira, 2002). Regulatory bodies and boards themselves respond to issues of accountability by forming and strengthening audit committees as well as increasing the numbers of non-executive directors, with a focus on achieving improvements in the quality of financial reporting (Spira, 2002).

Audit committee roles specified in corporate governance codes include oversight of external and internal audit, involvement in external auditor selection or dismissal, overall scope of the audit, results of the audit, internal financial controls, oversight of risk/internal control reporting by the board, oversight of financial reporting quality, review of the annual financial statements and financial information for publication (Collier and Zaman, 2005, DeZoort, 1997, Spira, 2002).

The metaphor: “Big Brother” in the context of a firm or an organisation is typically thought of as referring to management oversight, scrutiny, watchdog, monitoring, and surveillance (e.g. Dragomir, 2008b; Kuschnik, 2008; Palmer, 2002). In Orwell’s 1948 novel *1984* “Big Brother” represented a totalitarian regime that kept its citizens under close surveillance, with overtones of oppression, tyranny, and control/power of the organisation over individuals. Here, we use the epithet “Big Brother” to represent cases in which the normal audit function of boards has been perceived by board members themselves to have become something less benign, more bureaucratic and more intrusive than is intended and deemed functional for the organisation. This explains the emotional tinge to the quotes above, and their use of extreme descriptors such as “*every*”, “*excessive*”, “*lots*” and “*rampant*”. The Big Brother metaphor appears to convey auditing beyond the point that is rational.

The surveillance function of governance was highlighted by McMahon (1995) in relation to corporate accountability and the management of the information environment. He stated, correctly as it turned out, that the 1990s and beyond would demonstrate increasing instances of corporate pathologies similar to those of the previous decade. McMahon applied the metaphor of “Big Brother” in relation to accountability and record keeping, noting that the deliberate falsification of records reduces or even eliminates the capacity to render activities accountable. He added that poor record keeping through incompetence, lack of resources, or lack of organisational commitment (e.g. “staying off the record”, “not putting it in writing”) had the same result (1995: 674). McMahon further noted that measures for accountability are bounded by the constraints of the real world, and the dilemma for an open society and liberal democracy is that of bringing suspected corporate wrongdoers to account without creating a Big Brother state and thereby not only intruding on, and annoying participants (such as those in our study quoted above), but also damaging the delicate fabric of society. Continuing

public distrust of directors leads, inevitably, to calls for Even Bigger Brothers to keep an eye on Big Brother (Coffee, 2006), i.e. “watchdog” agencies charged with wider business regulatory powers, which are relatively new inventions within the framework of a Westminster-style democracy.

#### 1.4. Remedial Action: Police

Oddly, we found little material in our data set to indicate that directors thought much about the fourth ‘action’ phase of control.

*It’s like you’re an umpire, a referee, where’s your yellow card?* (Chair)

*Governance always seems to mean policeman to me. You have to comply with the law, or comply with company policy.* (CEO)

In these two metaphors, which appeared to be more “disciplinarian” in character, there seemed to be greater concern with the notion of compliance than with correction, the “*yellow card*” being the only sanction mentioned.

## 2. Governance as Strategic and Organizational Control

Parallel with “management control” images in our data, was a second set of metaphors which was also a discourse about control – not over management, but of the organization’s strategy processes. Again the classic steps in the control process could be observed, but control appeared to be conceptualized in a much wider, more generous and more qualitative frame. Here participants talked about various roles they felt they had in the wider conduct of the organisation’s business:

### 2.1 Strategist

Is the Board concerned with strategy-making as the first stage in a broader process? A few participants seemed to think so:

*It’s more distant horizons in thinking about where that’s going.* (Chair)

*Over governance, they'd sit back and say, well, where will the organization be in 10, or 15, or 20 years down the track.* (Chair)

But such references tended to be overlaid with what we term the *strategy paradox*, where participants' concern for strategic input is challenged, compromised and even overwhelmed by the unavoidable minutiae of control:

*Some of the boards, which I'm on, spend more time on some of those governance issues than they do thinking about the strategic direction. And what I'm saying [is], well, why are we here? Are we here to just sort of tick the boxes that management are doing this, this, and this?* (CEO)

*I find myself sometimes being mired in the detail so much that you cannot see the big picture.* (CEO)

*So we tend to try to stay at a high level and sort of in a governance mode. But somebody in the meeting can very quickly drag it down into minutiae where we actually start debating detail and management issues that we shouldn't be involved in.* (CEO)

## 2.2. *Debating Forum*

In this discourse participants saw the point of governance as very much being the creation of a forum for possibly competing ideas, in which openness and diversity might be welcomed and unusual ideas aired:

*I think governance is also part of an ongoing conversation where there's an opportunity to talk openly and frankly. And disagree, or move from a model where I wanted everyone to agree, to one which is not random but allows a whole lot of disparate views to be distilled.* (Chair)

*I sort of like the idea of discomfort because, you know, discomfort with people of good faith will end up in a much better place than everyone agreeing with each other.'* (Chair)

*Allowing everything to run and come into fruition. Creating an environment where the oddball idea doesn't get stamped out before it's given life. It's a level playing field for everything. (Chair)*

*On a board you want diversity of opinion and thinking... and that left field and crazy ideas are respected and promoted. (Chair)*

*Within the board meeting we are encouraged to have and do have absolute vigorous debate. (CEO)*

*I actually celebrate differences, I actually want people to say something different so I can get a debate going. And encourage everybody to participate in that, and debate the issue so that we feel that when we've got to a decision point, that we've got good understanding. (CEO)*

*So there's a sense of having four eyes looking at it, rather than two eyes the same. Also, they both respect that the other is wired differently and sees different things, and that's okay. (Chair)*

The essential feature of a debating forum is the communication and challenging of ideas in group discussion. In literature on boardroom practice, the enabling of constructive debate is widely regarded as a key characteristic of an effective board. For example the Californian Public Employees' Retirement System (CalPERS) believes that shareowners should have an effective mechanism through which periodically to promote substantive dialogue, encourage independent thinking by the board, and stimulate healthy debate around current operations, potential risks and proposed developments. The chair has the crucial function of setting the right agenda, providing information, opening board discussions and cultivating openness so as to allow expression of diverse views and the generation of effective debate and constructive challenges.

With reference to corporate governance best practice, Daily and Dalton (2005) argued that despite decades of research, dialogue and debate regarding board effectiveness, and the ever-increasing requirements placed on firms, there is little evidence that board effectiveness has improved over time. They argued that one of the central requirements for effectiveness is constructive debate, both among directors themselves and between the board and management. Emphasising the importance of board process as ultimately the key to board effectiveness, Daily and Dalton (2005) highlighted various factors – such as preoccupation with the status quo, “going with the flow” and “groupthink” – that can stifle debate and lead to dysfunctional unanimity in board decisions.

In examining the tendency of boards towards groupthink, Sundaramurthy and Lewis (2003) stated that board members should provide critical judgment on managerial performance and raise penetrating questions. They highlighted the paradox whereby directors need to systematically monitor and critique the efforts of executives, yet, in the interests of avoiding tensions, such critical assessment can decline, leading gradually to corporate myopia. Thus, tight allegiances and CEO duality can inhibit critical feedback on CEO performance while, conversely, constructive conflict can stimulate critical feedback and counter groupthink.

Commentators cited in the OECD’s Principles of Corporate Governance (2004, 30-4) advocated open discussion whereby “the board can... debate strategic scenarios amongst themselves and with management, and select a strategy” and “thoroughly test management on its assumptions and the details of the strategy by asking many questions” (Hooper, OECD 2008: 31); “ask questions and seek second and third opinions where required before making a decision” (Chuvastr, OECD 2004: 24-2). Independent directors, especially, should “add value based on their outside experience and ability to raise difficult questions” (Cha, OECD, 2004: 70-12). The OECD’s principles also promote the idea of bringing diverse, fresh and

new perspectives to the board table: “Independent directors in particular can provide a perspective to the discussion based on their experience, technical expertise and wisdom that make a great contribution in the area of strategy” (Hooper, OECD 2004: 31); and “independent directors can benefit a company through different perspectives and questioning, and improved board capabilities” (Anonymous, OECD 2004: 71).

In contrast with the preoccupation with board composition, board independence and board legislative requirements, these strictures – and the debating forum in general – draw attention to the neglected area of board processes: not what the board has to do, but how it should do it. Forbes and Milliken (1999: 492, 494) and others suggest that board effectiveness depends heavily on socio-psychological processes, especially those pertaining to group participation and interaction, the exchange of information and critical discussion. They argue that cognitive conflict, which among board members leverages differences of perspective, involves the use of critical and investigative interaction processes that can enhance the board’s performance of its control role.

### 2.3. *Challenger*

Associated with the notion of debate, participants’ conceptualisations of their treatment of wider organisational issues involved, substantially, the imagery of *challenging*. Board members’ role in any debate, it seemed, was not to take part in the creation of strategy, but to assist in its approval, refinement or rejection by raising issues that might lead to its elimination and force management to answer awkward questions:

*So good governance and good Boards are people that [are]... able to sit back and challenge: “Have you thought about this?” “Have you thought about that?” (Chair)*

*It’s querying and questioning the direction of the business. (Chair)*

*Yeah and making sure that I’m thinking about these issues. And challenge us, making sure we’re innovative, that we’re thinking of those issues. (CEO)*



*Making sure management are thinking about sensitivities, the risks about the strategic plan. And sort of so it's not just rubber stamping (but)... using their collective skills to question in a productive way on sort of challenging it.* (CEO)

*And the board [members] are inputting to those processes their experience, what they've seen work or not work, whatever it is, their interrogation of concepts. I think boards should be engaged in real questioning and real debate with the executive team.* (CEO)

*You don't want people who just agree with you. You actually want people that challenge things... If you don't have people who challenge things and everybody's a yes person then it's just bloody hopeless... So at a board level you want to have a board that's made up of talented individuals who are prepared to put their hand up.* (CEO)

We note the reference in several of these quotes to board members' "collective skills", "experience", and "talented individuals", with the suggestion that the board may have special abilities or insight that management does not, yet this somehow is associated with challenging rather than creating.

#### 2.4. Tester

A step beyond challenging, and as close as participants came to an action phase in relation to wider views of the business, is the notion of *testing*:

*It's the leadership's responsibility to articulate that, and present that to a board or a governance group. And to be challenged, unpeeled, tested.* (CEO)

*The governance role is a testing, analytical examination of where the organization is going, to consider the recommendations of management, and either endorse or modify them, and then to provide support.* (CEO)

*To me the board is showing leadership and testing management, pushing management.* (CEO)

*Governance is really there to first of all make an assessment about the quality of what is proposed within an organization: [evaluate] strategy, test the logic, and critique the approach proposed to be taken by management. (CEO)*

*It should be more about “let’s set the direction of the organization; let’s test the parameters of the strategy. (CEO)*

Three participants, however, noted with some irritation the negative effects of a testing regime being taken too far:

*The governance responsibility is to have a wider view – an overview to test, but not to destruct. One of the things that has irritated me immensely in the past... is the director who feel that their role in life is to grill to death the chief executive and his managers on the basis that it is the director’s responsibility to test, audit and destruction-test the proposal. (Chair)*

*Quite often you find some directors who feel it’s their god-given role in life to actually stress-test everything. They turn management into crash-test dummies. (Chair)*

*They’re not just there to rubber stamp things. ... But at the end of that process you have a leadership team who are actively disengaged because they feel as though they’ve been bloody hung out to dry. (CEO)*

## 2.5 Nay-Sayer

Notwithstanding the apparent welcoming of disparate views and the debate and challenge that this paradigm of governance entailed, we were struck by the fact that again it appeared not to involve much in the way of initiative but rather, preoccupation, in the end, with narrowing-down and nay-saying. This was confirmed by a few participants, particularly CEOs, whose view was very much that of governance as a possibly unintentional brake on progress.

*Our governance structure and the association that we have around it at the moment would be stifling the crap out of innovation. However, I'm sure it's not intended that way.* (CEO)

*But it seems to me that boards have been overtaken by the same sorts of things I was talking about that paralysed our leadership – which is all those management over-focused, details compliance type management issues.* (CEO)

*I think they are disaster avoiders, right?* (CEO)

*So, when I first see governance I sort of think of the necessary processes we drive the business with – the reviews, the greens, reds and ambers, which by the way, I don't think there should ever be an amber. That's just telling you that it's not a red yet. I think we should ban ambers everywhere.* (CEO)

*It's probably like a comfort blanket really. They're there to provide comfort and assurance to partners that management has everything under control. ... They're not there to lead the organisation or anything of that nature.* (CEO)

### **3. Governance as Power Distribution**

The most recurrent phrase used by directors in their discourse was that of “checks and balances”, which is typically associated with the prevention of abuse of power, normally in political systems (e.g. Grant and Keohane, 2005; Persson and Roland, 1997) and can be defined as “a system that allows each branch of a government to amend or veto acts of another branch so as to prevent any one branch from exerting too much power” (Merriam-Webster.com). In the context of corporate governance Cadbury (2002) referred to the need for appropriate checks and balances in the governance structure, particularly at board level, not only as controls to prevent the abuse of power, but also in relation to building board effectiveness. Thus, for example:

*It's a check and balance. (Chair)*

*When I think of governance, I think of the necessary checks and balances and reviews and stuff that goes on in the business to make sure it's achieving what it needs to achieve. (CEO)*

*I actually somewhat believe the view that okay that's alright if you're saying their role is to be a check and balance and the likes. (Chair)*

*This is a deep belief. It's all about checks and balances in power. Every leader should have checks and balances in power. (Chair)*

*It's the whole willingness to accept checks and balances on power. (Chair)*

*It's appropriate that there are checks and balances on what I can or cannot do. That is okay and it's legitimate in a modern democratic society. (Chair)*

*Certainly in our organisation, we would look at governance as providing a check and balance on leadership. (CEO)*

We note the association with the concept of power versus autonomy, and the notion of *limitation* in power implied by these quotes. We note also that the phrase “*checks and balances*” was used predominantly by board Chairs rather than CEOs. On initial reflection this emphasis implies support for agency theory, but only one director made this explicit:

*I do see that constant expression that governance is the notion of the moderation of the unbridled drive of the management team. (Chair)*

Moreover, only one director thought through the checks and balances to consider the consequences:

*It's about checks and balances on power. So I always use the analogy of Julius Caesar. He thought he was and should become a god. His fellow senators thought otherwise. In that case they took action as a check and balance: they killed him. (Chair)*

#### 4. Governance as Wise Mentorship

In line with resource dependency theory, various participants used the terms “*mentor*” and “*guide*” to express their view of the governance function:

*To be there as a mentor. (Chair)*

*It's more the mentoring type aspects of leadership. (Chair)*

*So, if I look at the concept of governance, it's a question of providing guidance, mentoring – not one-on-one but corporate mentoring to the whole organisation. (Chair)*

*So to me, and we'll provide you the guidance and the advice for you to collectively achieve. (CEO)*

*It's about guiding the business. (CEO)*

*I think they [directors] should be inspiring guiders. (CEO)*

*[...] that is to monitor and provide guidance, to be a sounding board. (CEO)*

Others placed emphasis – also implied in quotes cited above in relation to control processes – on the special resources, particularly experience and wisdom – that board members bring to the organisation.

*The task of those people... is to provide wisdom, moderation, studied consideration and an assessment not only of the company's past and the environment in which it operates, but it's present. (Chair)*

*The biggest value that governance processes can add is wisdom and experience to support the leadership team. And so I mean when I'm looking for people in the governance context I'm really keen to find people with that sort of wisdom, experience and judgment to provide that support. (CEO)*

*Making sure that the right issues and decisions come to the level where the right heads and minds can actually observe and look at it and be aware of it. (Chair)*

However, there was no reference that we could see in any of this material, to social capital (as suggested in the resource-based view of the board's service role) and its being brought to bear in the governance process.

These conceptualisations encompass the qualities of wisdom, vision, and guidance: qualities highlighted by Cadbury (2002: 1) who noted that the word "governance" dates back to Chaucer and carried, at that time, the connotation of being "wise and responsible". Similarly, Yocam and Choi (2008: 3) stated that a key element of effective governance was sharing collective wisdom between directors and managers to improve managerial judgment. But Branson (2003, 995-996), referring to the collapse of Enron in 2001 which ended what he termed the "Good Governance Era", noted the recent decline of the wise counsellor role. Corporations instead, he reasoned, came to regard legal services – rather than wisdom – as key to protection and success, and as commodities to be purchased from multiple law firms, partly in order to avoid any single outside lawyer having an overview of the corporation's business dealings. According to Branson, corporate actions would thus stem not from a single wise view but from a series of disparate deals, with external rather than internal agents. Such a scenario would undoubtedly weaken the "wisdom" aspects of governance. While wisdom, prudence, and guidance were valued by participants, notably absent from the discourses in our data was explicit mention of ethical standards and direct reference to moral judgment – exercising "good" judgment seemed to refer, rather, to business acumen based on commercial experience.

## **Conclusion**

Key questions arising from board members' discourses concern whether or not governance contributes value. Might governance actually hinder enterprise and value creation? What do directors' mind-sets reveal about the practice of governance? Our analysis has shown that compliance aspects and the board's monitoring and control role appear to

dominate board members' mind-sets. With regard to the purpose of governance, the control role is a key governance mechanism, as stated by the OECD (2004, VI: 24): "...the board should fulfil certain key functions, including monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestitures." However, these key board functions also include "Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives" which indicates a strategic leadership role for boards.

From the literature it is clear that boards have a responsibility to ensure both organisational conformance and performance, in carrying out their fiduciary duty. Yet, as in our data, the literature reveals a similar emphasis on compliance and pre-occupation with control. Short, et al (1999) discussed the development of the corporate governance debate in the UK since the formation of the Cadbury Committee in 1991, noting a shift in emphasis towards enterprise over this time. They cited the Hampel Report (1998) which argued that while accountability by public companies was essential, the emphasis on this requirement had obscured business prosperity, which it regarded as the most important aspect of corporate performance. The report stated that it wished to see the balance between business prosperity and accountability corrected, arguing that optimal corporate governance may be achieved through a system of structures and processes in which accountability and enterprise aspects reinforce each other. There is little evidence from our data that such a shift in emphasis has found its way into practice in the boardroom.

Garratt (2007) noted that "governance" can be traced back to the ancient Greek *kubernetes*, meaning "the steersman", that is, the person who gives direction to a ship or organisation. As he observed, this meaning flows through Latin and French language development and appears in Middle English in the Canterbury Tales, but then virtually disappears. This evolution away from the original meaning, according to Garratt, corresponds

with the creation of a corporate mind-set and culture fuelled by the growing notion that “governance equals compliance”. Like Healy (2003), Garratt warns that “Such a compliance-based system tends to drive out ethical enterprise” (p.11). Board members in our sample confirm this risk.

Empirical studies of the board’s role have typically attempted to associate boards with corporate financial performance – among which no consistent relationship has been found (e.g. Daily et al., 2003). Literature referring to boards’ leadership role in driving strategy and corporate performance is scant, although Zahra and Pearce (1989) provided a seminal work in their integrative paper outlining perspectives on the role of boards. In their paper they highlighted the narrow definition of company performance in the board literature and controversy over the board’s strategic role. In setting an agenda for corporate governance research, Zahra and Pearce (1989: 333) concluded that “Directors cannot only protect the interests of shareholders through effective controls of managerial actions, but also have the potential to render valuable services to the firm in the shaping of its strategic posture”. Our data hint that board members want to contribute more effectively to the strategic process but faced with creative challenges, default instead to conformance. This represents a major unresolved paradox, apparently rendering some directors apparently unable to act — paralysis through paradox.

Garratt (2007: 11) also argued that “...the role of the board of directors is to balance and rebalance continuously their irresolvable dilemma”, but asked “how do we drive our enterprise forward while keeping it under prudent control?” In highlighting the paradox inherent in this requirement he urged boards to develop stronger ways of leading their organisation. To achieve this, he advocated that boards “develop new ways of learning — especially of thinking strategically and becoming more sensitised to the dynamics of their



changing external environments” which “will take them well beyond the comforts of their specialist managerial disciplines and into the true world of directing”.

Short, et al (1999) called for research which seeks board members’ views on how they explicitly weigh the implications of the need to meet accountability requirements with the impact on enterprise and vice versa. Our study responds to their call, but also highlights the need for further studies that aim to better understand how board members might address this challenge.

In a comparative review of theories of corporate governance and economic performance O’Sullivan (2000) highlighted the need to bring the analysis of innovative enterprise into the corporate governance debates, and called for a research agenda that seeks to understand the relationship between corporate performance and innovation. She noted that research on the process of innovation and corporate governance has been limited because the leading theories of corporate governance do not systematically incorporate an analysis of the economics of innovation. According to O’Sullivan, given the centrality of the process of innovation to the performance of dynamic economies, the types of corporate governance that will promote economic performance can only be determined within a conceptual framework that incorporates an analysis of the economics of innovation. We concur, but suggest that on the basis of our data, the impact of board members’ mind-sets regarding the role of governance in innovation will also need to be taken into account in developing such a framework.

We believe that analysis of metaphors-in-use within this field could contribute new thinking toward unlocking creative solutions to recurrent problems within modern governance architectures, systems and practice, for which the usual recourse is ever tighter regulation in the face of increasing corporate and operational complexity and systemic risk, as demonstrated by the 2008 global financial crisis and its economic aftermath. But as our data suggest, such recourse may have unintended consequences and does not help to better balance

accountability with enterprise. Moreover, extensive debate in the corporate governance literature over the conceptual adequacy of the dominant frameworks – most notably agency theory, which underpins corporate governance laws and best practice guidelines – suggests that frame-breaking and new theory building could lead to more explanatory governance models. For this purpose uncovering, through analysis, tacit and pervasive mental models expressed through the language of metaphor could be a useful starting point.

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