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Value-creating boards – Diversity and evolved processes

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Abstract

This qualitative study is based on 47 interviews with board members of UK listed companies and reveals that value-creating boards have two main characteristics: a diversity of perspective and evolved board processes. The findings of the study show that the critical attributes of boardroom diversity are members' culture/nationality, functional background, and gender diversity. Value-creating boards also have evolved processes, such as an objective nomination process, periodic evaluations of the board and its members, and their ability to work as a team. The paper contributes to the Strategic Leadership theory, and other role-effectiveness theories. It makes a significant contribution to existing literature on board diversity and value creation by suggesting that board diversity needs a broader definition – more than mere demographic attributes of directors, and board processes, – to improve boards' ability to create value for organizations. The paper also contributes to praxis by presenting evidence of the impact of board diversity on value creations and suggesting the most critical aspects of value-creating boards. The findings may also guide the formulation of legislation for improving corporate governance by defining diversity more broadly.

Keywords: Value-creating boards, Diversity of perspective, Board processes, Board effectiveness

INTRODUCTION

Praxis and literature both reveal that corporate leadership needs to continually create more value for their entire ecosystem to remain relevant and ahead of the competition (Mahajan, 2016). In the existing academic literature, boards' value-creation ability is assessed with reference to their ability to perform various roles (Forbes & Milliken, 1999; Charas, 2014). Boards create value by monitoring/supervising the executive (Fama, 1980), mentoring them (Mace, 1971), provisioning resources/networks (Pfeffer & Salancik, 1978) and performing other roles as well (Nicholson & Kiel, 2004). Boards also protect shareholders' rights; supervise the accuracy of reports; uphold the legitimacy and the reputation of the company; and ensure the long-term prosperity of the firm, thus prevent value destruction and add value to the company (Kakabadse & Kakabadse, 2007).

The role of board diversity in improving the ability to create value has been commented on in earlier research (e.g. Zahra & Pearce, 1989; Forbes & Milliken, 1999; Tatli et al., 2012; Financial Reporting Council (FRC), 2016).

An overwhelmingly large body of existing academic literature defines board diversity with reference to the demographic characteristics of board members such as gender and ethnicity (e.g. Carter et al., 2003). However, the assumption that demographic attributes are valid proxies of the cognitive make-up of leaders has since been questioned (Priem et al., 1999). Demographic attributes used in existing research may not reflect the cognitive diversity of board members comprehensively and more substantive diversity constructs need to be explored (Milliken and Martins, 1996; Dhir, 2009). Scholars argue that educational/functional background and age can be acceptable proxies of psychological factors such as values, and cognitive style (Olson al., 2006). Strategic Leadership theory acknowledges that the cognitive aspect of board members' characteristics, such as their background, experiences, values, might influence their perspective and decision-making (Finkelstein et al., 2009). Hence it is pertinent

to explore if there are other characteristics of board diversity which may help boards' value creation ability.

In this paper, we build on the existing literature and empirically explore the role of diversity in boards' effectiveness in value creation. We find that board diversity in its broadest form, and certain board processes contribute significantly in improving boards' ability to create value. A small body of existing research explores the characteristics of value creating in boards of private companies (e.g. Acharya et al., 2012). The present study, however, is in the context of listed companies in the UK.

The findings of the study are significant, as they recommend defining board diversity beyond the demographic attributes of directors. We find that boards' ability to perform their roles is only one aspect of value-creating boards. Value-creating boards enhance their decision-making capacity by improving board processes. Relevant processes that add to boards' value-creation effectiveness are integrity of the nomination process, periodical evaluation of boards/directors, and boards' ability to work as a team.

The rest of the paper is structured as follows. We first present a review of the existing academic literature on the impact of board diversity on board's effectiveness. We next discuss the study sample, the methods of data collection and analysis, and the rationale for choosing the same in this research. This is followed by the findings of the study, which are presented under two main themes – board diversity and evolved board processes. We conclude with a brief discussion on the study, contributions of the paper, and its limitations.

CREATING VALUE/EFFECTIVENESS WITH BOARD DIVERSITY

This section presents a brief review of academic literature on board's role in value creation, through their role-effectiveness. A board's effectiveness is its ability to perform the relevant functions (Minichilli et al., 2012; Nicholson & Kiel, 2004). Presented below in Table 1 is a

brief review of existing literature on the three primary board roles of monitoring/supervising, advising/counselling, resource provisioning, and its constituents.

Table 1. Attributes of board diversity and their impact on value creation by boards

Author(s)	Attribute of diversity	Reported findings	Implications on value creation
Terjesen et al., 2015 Ferreira, 2015	Gender diversity	More independence	Potentially improved monitoring/supervision
Zahra & Pearce, 1989; Nielsen & Huse, 2010	Gender diversity	Diverse functional experience	Potentially improved advisory ability
Hillman et al., 2002; Singh et al., 2008	Gender diversity	Higher educational qualification and elite education	Potentially improved advisory ability
Terjesen et al., 2015; Robinson & Dechant, 1997	Gender diversity	Well versed with customer's perspective	Potentially improved advisory ability
Singh et al., 2008; Bøhren & Strøm, 2010	Gender diversity	Higher educational qualification and networks	Potentially improved resource provisioning
Kakabadse et al., 2015; Nguyen et al., 2015; Terjesen et al., 2015	Gender diversity	Unique networks	Potentially improved resource provisioning
Singh, 2007; Singh et al, 2008	Ethnic diversity	Unique networks	Potentially improved resource provisioning
Broome et al., 2011	Ethnic diversity	Unique life experiences	Potentially improved decision-making
Hillman et al., 2002	Ethnic diversity	Networks with community – influential	Potentially improved decision-making
Singh, 2007	Ethnic diversity	Higher social capital	Potentially improved decision-making
Kosnik, 1990; Anderson et al., 2011	Functional diversity	Higher cognitive capital	Potentially improved decision-making & Potentially improved ability to review proposals and probe
Anderson et al., 2011; Nguyen et al., 2015	Functional diversity	Improved networks	Potentially improved resources provisioning
Houle, 1990; Kim & Rasheed, 2014	Functional diversity	Improved cognitive capital	Potentially improved resources provisioning & Potentially improved mentoring
Ben-Amar et al., 2013; Kim & Rasheed, 2014; Tuggle, 2010	Background/experience diversity	Improved cognitive capital	Improved decision-making
Kosnik, 1990; Anderson et	Nationality diversity	Improved cognitive capital	Improved decision-making

al., 2011			
Randøy et al., 2006	Nationality diversity	Nomination from a larger pool of talent and experience	Improved decision-making
Ruigrok et al., 2007	Nationality diversity	Nomination from a larger pool of talent and experience	Improved decision-making
Anderson et al., 2011; Nguyen et al. 2015	Age diversity	Balanced between drive and caution	Improved decision-making
Anderson et al., 2011	Age diversity	Middle-aged and older directors have wide networks	Improved decision-making

Source: Compiled by the authors

Existing research suggests that board diversity may have a positive impact on boards' effectiveness, though many aspects of this relationship are conceptual and are not empirically investigated. Some studies empirically explore the relationship between the indicators of board diversity (such as gender, age, and ethnicity of directors) and the value created (e.g. Galia & Zenou, 2013). However, many of these studies are conducted with secondary data and do not present the perspective of board members. In this study, we address these limitations. Hence, the two research questions which the paper endeavours to answer are on (1) the most relevant board diversity indicator which leads to optimum value creation by boards and (2) any other aspect of value-creating boards.

THE STUDY

Since the study aims to present the perspective of board members, the participants are chosen based on their board experience of at least one listed company in the UK. Many respondents in the study have the experience of leading European, Australian, and US companies as well. Ten participants have experience of chairing a board, and the remaining participants have directorship experience in either an executive or non-executive capacity. Twenty participants have held various positions in FTSE 350 companies. The male to female ratio among the participants is 28:19. Only three participants – one male and two female – have no university

education. The participants in the study have diverse professional experience – functions and sectors, and many are citizens of other countries than the UK.

Interviews are the most widely used qualitative research methodology in studies investigating people's personal perspective and context (Ritchie et al., 2003). The academic research on boards is often carried out from a distance and without any direct contact with boards/directors (Pettigrew, 1992). The perspective of board directors, who are uniquely positioned to witness the impact of diversity on the effectiveness of boards, is seldom explored. In this academic inquiry, we attempt to explore board members' perspectives.

Data collection

In this study, some respondents fulfilling the criterion for selection are approached from the database of the business school with which the authors are affiliated. Subsequently, other participants are approached using the snowball method (Goodman, 1961) of data collection. The snowball technique for approaching board members is in keeping with existing research and is best suited for a study of this nature due to the element of trust and the sensitivity of the topic involved (e.g. Kakabadse et al., 2015; Broome et al., 2011). Interviews (Kakabadse & Louchart, 2012) are conducted with board members in the sample for 60–90 minutes at their workplace. All participants have given permission to record their interviews, and all participants are given assurance of complete anonymity and confidentiality.

Data analysis

Interview recordings are first converted into transcripts, and the transcript data is then disaggregated into conceptual units of a similar nature, which are given labels (Saunders et al., 2009). Data is then open coded and analysed to identify themes and reveal patterns and relationships. Coding of the data is done independently by the authors and then compared for

determination of themes in the findings. Coding and analysis are performed manually and without the help of any electronic software.

In this qualitative research, the data is analysed thematically (Saunders et al., 2009). Thematic analysis involves identifying themes, and analysis is linked to the respondents or the contributors (Spencer et al., 2003). The thematic analysis method has been chosen as it provides a deeper understanding of a phenomenon, which is sought to be interpreted by the people living and experiencing that phenomenon (Shah & Corley, 2006). The unit of analysis is individual directors and not boards.

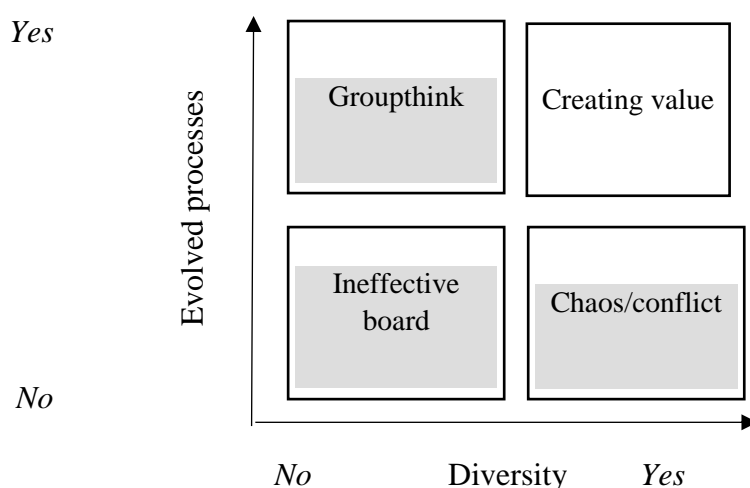
After analysis of the data, themes concerning the aspects which are emphasized by the respondents for improving the value-creation abilities of boards, through improving their role-effectiveness, are reported in this paper.

THE FINDINGS

Views presented in this study are those of board members of UK listed companies with long board experience in different sectors, including academia, and the public sector and the third sector. The authors acknowledge that responses of individuals without board experience, if included in this study, might be different, but in this study the emphasis is on opening the black box of boards and presenting the perspective of board members.

The analysis of the data reveals that value-creating boards have two independent dimensions: (1) its composition – diversity on boards and (2) board processes, as presented in Figure 1 (see unshaded quadrant). Without diversity, but with laid-down processes, boards often succumb to groupthink, as board members' views and decisions are not challenged enough. Without evolved board processes in place, diverse boards may succumb to chaos and conflict. Boards with neither diversity nor evolved processes are ineffective in their role-performance. Thus, value-creating boards have diversity *and* evolved processes.

Figure 1 – Value-creating boards: Diversity and evolved processes



Source: Prepared by the authors

Value-creating boards have broader diversity

The findings of the study suggest that a vital attribute of value-creating boards is diversity. In its broadest sense, diversity is critical in today's boards for improving their role-effectiveness and decision-making. Diversity of background – both cultural and functional – and demographic diversity of gender improve boards' value-creating abilities.

Diversity of background and value creation

The participants in the study suggest that a different background gives board members diverse experience which impacts their perspective and decision-making. Participants share their own experiences and suggest that diversity of background, which may help boards' effectiveness in value creation, can be categorized into two types: (1) diversity of nationality and culture, and (2) functional diversity. The findings of the study support the Strategic Leadership theory which suggests that corporate leaders' personal characteristics – such as background, values, and experiences – impact their decision-making (Boal & Hooijberg, 2001; Finkelstein et al., 2009).

Diversity of nationality and culture

In the study, participants claim that, for improved effectiveness, boards need to appoint directors from different nationalities, as nationality often involves unique culture. The diversity of nationality on boards enhances their effectiveness in several ways. Some of these are now discussed.

Firstly, as one participant explains, for listed companies with a global presence, board members with diverse nationalities and cultural experiences improve board dynamics.

‘People who come from different countries, different cultures, have different approaches and that can be very helpful. It is different dynamics working on board where there is a French and an Italian and Brits, and Americans.’ (Resp. 22)

Another participant suggests that the diversity of nationality adds value to decision-making as boards have access to a range of perspectives on issues brought to table.

‘As an Australian sitting on a British board, I lend different style, a different level of thinking. Same is for an American on board, or an Englishman, a Frenchman, or German. A different geography will set a different set of thought patterns around the table.’ (Resp. 17)

Respondents argue that not only can a range of nationalities on boards provide a diverse perspective which may help in decision-making, but the presence of directors from ‘high-growth regions’ on boards also facilitates a company’s expansion, as future growth of the business is likely to originate in those regions. The presence of diverse nationalities improves boards’ networks and understanding of local corporate procedures, and brings relevant sensitivities to boards. A participant explains:

‘Growth for businesses, headquartered here or not, purely UK-oriented or not, will come from the areas outside the UK and outside Europe. It will come from the more rapidly growing areas of the world. Any business which doesn’t think it needs to be tuned in is going to get the exposure they don’t realize.’ (Resp. 42)

Secondly, the presence of various nationalities on boards balances the risk appetite in decision-making. Such a balance helps to prevent value destruction, resulting from decisions made by those with a high-risk appetite. This balance of risk appetites on a board also helps to foresee any potential opportunities that would have been missed if the majority of members were highly risk averse. One participant with experience in a number of international boards explains, with an example

‘American women who become the Chief Executive are more aggressive, take more risks, and push harder. People on the American side definitely take more risk and are more upfront. British men and women are more risk-averse.’ (Resp. 39)

This observation is significant as it suggests that nationality is an experience which may supersede other attributes/experiences, such as gender, in forming perspectives. Existing academic research points out a relationship between appetite for risk and age/gender diversity on boards (Ali et al., 2014). While women are traditionally considered to be risk-averse, a few scholars disagree that in boardrooms female board members necessarily display risk-averse behaviour (Adams and Funk, 2012). The finding of this study suggests that nationality has a deeper impact on the thinking styles of directors irrespective of their gender.

Thirdly, diverse nationalities may also counterbalance strategic planning in a company, preventing short-termism, as some cultures promote a longer-term perspective than others. One

participant compares the approach adopted by Japanese companies with corporations in the USA.

‘In Japan, they’re not thinking about next 20 years but the next 100 years. So decisions are made with a very long-term perspective. In certain cultures people place a very high value on the heritage. While in America, the decisions are made worrying about next year.’ (Resp. 39)

This finding of the study is an original one as it suggests that a combination of nationalities on boards may enable them to counter short-termism.

Existing literature does not adequately explore the impact of nationality of board members. Scholars suggest that the diversity of nationality on boards assures foreign investors that the company is being managed professionally (Oxelheim & Randøy, 2003). In a study based on Swiss companies, Ruigrok et al. (2007) argue that foreign directors tend to be more independent and have a competitive advantage. It is also reported that boards with international directors have a larger pool of qualified candidates with broader industry experience and expertise (Randøy et al., 2006).

The findings of the study provide empirical evidence for those suggestions in existing literature and make several original and significant contributions to existing knowledge on the subject. Boards having directors with different nationalities add value by improving dynamics in boardrooms, enriching boards’ networks and access to new markets, balancing risk appetites, and enhancing strategic planning. The findings also ratify existing literature which suggests that companies may suffer strategic risk if their leaders are complacent and not prepared to deal with the changing environment around them (Rudin, 2015). Our study also spells out many other advantages that a diversity of nationality on boards can bring.

Diversity of functional experience

Another critical requirement for value-creating boards is the diversity of functional experience. Respondents in the study confirm that diverse functional experience leads to varied perspectives and thus adds value in multiple ways.

Firstly, one of the essential attributes of value-creating boards is the availability of various skill-sets. The skill-set may include industry-specific or function-specific knowledge, which may help boards achieve their objectives. Participants share their experience, and claim that, while composing boards, care needs to be taken to ensure that critical skill-sets are represented.

‘It is important to have people who know the business area, the industry, and have the technical experience to know the issues such as the connectivity between the business, its customers and supply chain. The wider question is one of having people who think differently.’ (Resp. 32)

Secondly, boards often have a skewed representation of expertise in finance and lack representation of other functional experiences. This shortcoming results in boards not being able to probe diligently and review strategic proposals effectively. Such a scenario also results in boards being ill equipped to challenge and advise the executive on various corporate issues.

‘[In effective boards] you have to have people with different competencies. They should not all be with finance competencies. If you have a person with a deep insight in human management, or somebody who understands technology then you have other competency around the table. They are able to challenge some assumptions. That is the fiduciary role of the board member.’ (Resp. 23)

Hence, boards with a variety of functional experience and expertise add intellectual capital and thus are more effective monitors, and more diligent advisers/mentors to the executives. Such a

board not only prevents value destruction with effective supervision, but also adds value by engendering better service role-performance and decision-making.

Many corporate governance guidelines now require members of board committees to have specific educational expertise and functional experience for higher board effectiveness (Mahadeo et al., 2012). Olson et al. (2006) suggest that functional background can be acceptable proxies/indicators of psychological factors such as values and thinking styles. Thus, the findings of the study support existing literature, but supplement it by indicating that boards with various functional backgrounds among directors have better skill-sets and varied knowledge. Such boards have better intellectual capital and may be more effective in their monitoring and mentoring roles. The findings support Strategic Leadership (Finkelstein et al., 2009) theory, which suggest that corporate elites interpret information on the basis of their experiences. The experiences of board members also influence their decisions.

Demographic diversity and value creation

The respondents in the study highlight specific benefits of gender diversity on boards which will promote value creations. The respondents in the study argue that gender is a unique experience which shapes directors' perspectives. Gender diverse boards are more effective, as their style of decision-making is less rash, they display greater courage in questioning the executives, and send positive signals to the stakeholders of a company that the board is meritocratic. These three effects of gender diversity on boards' ability to create value are discussed below.

Firstly, gender is a critical diversity characteristic required on boards for enhanced value creation, as women have a substantially different thinking style to men. As one participant in the study articulates:

‘Women bring a different thinking style on board. Probably more considered, less rash. A more careful view.’ (Resp. 17)

With the presence of female directors decision-making becomes more empathetic. Female directors often display a higher concern for the outcome/impact of boards’ decisions, responsible resourcing of material, and making working conditions more welcoming for women in the organization.

‘There is more empathy into decisions that you are making there. Women tend to look at the holistic solution of big issues -the family connectivity, people’s individual drivers, their domestic arrangements and they also have complementary skills. Having females on boards and getting to express their opinions and reflection on things helps.’ (Resp. 18)

Secondly, the respondents suggest that female board members often display greater courage and probe more, but in a collaborative, collegial style, eliciting a positive response and more information than a harder, more abrasive approach, which can make the executive defensive. Such boards may prevent value destruction by more effective supervision of the executives. A female participant in the study shares her views:

‘Some of the women I have worked with are outstanding! They understand their role, they are strong, say what they think and have a good approach. And they are much more courageous!’ (Resp. 22)

Another participant gives an example of the successful probing style of female directors on a board, which she chairs.

‘The two [female directors] I have on my board, are definitely more probing. But they ask these questions in a way which is not going to annoy anybody.

That's important because, though boards have to challenge, you have to challenge in a way that the executive management wants to respond, that solicits a really good, transparent, informative response.' (Resp. 14)

This is a significant finding as it suggests that, though female directors probe more, their style of probing may elicit more relevant information, which helps in making sound decisions than an aggressive and distrusting style of probing. These abilities of gender diverse boards may improve their monitoring abilities.

Thirdly, the participant argues that gender balance on boards is also essential to reflect the customer base universally. Such an action will result in better signalling to the stakeholders and may improve companies' goodwill. One participant in the study explains:

'I think as we see our clients employing more women, we need to mirror more our clients.' (Resp. 10)

The participants in the study also disclose that in recognizing the role of gender diversity on value creation, investors are imposing a higher return requirement on companies that do not have diverse boards before investing in them.

'Some big UK investors consider the diversity of leadership teams a sign that meritocracy is active. They believe that a company that is pushing and promoting meritocracy will outperform others. They're starting to apply higher return requirements for companies that are insufficiently diverse because it is more risky.' (Resp. 42)

These findings about gender diverse boards communicating more positive and effective signals to their stakeholders are a significant contribution to the body of existing knowledge on gender diversity on boards.

In existing academic research, board diversity often refers to promoting gender diversity on boards (e.g. Adams & Ferreira, 2004). Scholars suggest that a singular focus on gender seems flawed as it masks diversity among females (Torchia et al., 2015). It is argued that other characteristics, such as educational and functional background, skills, personality, beliefs, and values may also influence the decision-making in a group (Milliken & Martins, 1996; Kramer & Ben-Ner, 2015). Some scholars also suggest that the advantages of gender diversity on boards are more interaction and a better quality of deliberations among members (Adams & Ferreira, 2004), independent thinking (O'Higgins, 2002), and improved monitoring of task performance (Kang et al., 2007).

The findings of this study are supportive of existing literature, as they indicate that gender diverse boards have improved decision-making. Additionally, these discoveries make an original contribution to existing knowledge, as they suggest specific and empirical evidence of the impact of gender diversity on boards' monitoring and signalling role-performance.

We now discuss the other significant aspect of boards' value creation ability – board processes.

Value-creating boards have evolved board processes

The participants in this study suggest that merely changing board composition may not be enough to render them effective in creating value. Boards need to have well-established, relevant board processes to ensure that the benefits of board diversity are reaped with optimal effect. Some board processes which may improve boards' value-creation abilities are objective nominations/succession processes, periodic board evaluation, and teamwork.

Value-creating boards – objective nomination process

One significant board process in value-creating boards is an objective nomination process. The study reveals that despite regulatory and academic suggestions, nomination committees are not

functioning in a number of listed companies. A few companies may not even have a nomination committee for the appointment of board members and the ones which do exist may not always work independently. The nomination process is often heavily influenced by the CEO/Chair and even by head-hunters for boards. An objective and well laid-down nomination process helps improve boards' value-creation abilities in many ways.

Firstly, the objectivity of the nomination process is imperative for ensuring that the skill-gap on boards is addressed and that boards are independent enough to perform their roles. One participant asserts:

‘I think the integrity of the nomination process is absolutely key in order to have people who are prepared to say what they think and challenge and test the Chief Executive.’ (Resp. 22)

The findings of the study indicate that boards composed after following the nomination process objectively have an improved monitoring role-performance.

Secondly, not planning for and executing the succession of board members adequately may risk the company's reputation if the new incumbent to leadership positions such as CEO fails in his/her job. The participants suggest that boards are not addressing this crucial issue of succession planning as much as is required, and failing to do so may have dire consequences in terms of value destruction. A participant reveals:

‘There is an important and overarching concern – the succession planning for executive or non-executive roles. In boards, generally the question of succession is not discussed nearly enough. But the reputational risk of the Chief Executive not performing or falling over on the job is quite great.’ (Resp. 32)

Thirdly, the nomination process also needs to be objective to ensure that no one authority has overwhelming discretion in boards. A number of participants caution against an increasing influence of head-hunters in today's board composition, which may not always be beneficial to the organizations.

‘Instead of the Chairman bringing his own cronies to the board, it is now the head-hunter's cronies on the board. Because they have either made money out of them by being a client, having them as a client or placing them. This is where the Chairman has to ensure that the nomination committees work better.’ (Resp. 32)

These findings are original and significant as, for the first time, the research reveals an increasing role of head-hunters in board nominations which may vitiate the process of nominations and render it biased. Respondents in the study seek the disclosure of the pecuniary and familial relationships between head-hunters and nominees they recommend, to ensure that recommendations are in the best interests of the boards. The literature often cautions against populating boards with the CEOs' and Chairs' 'buddies' (Sweigart, 2012; Burgess & Tharenou, 2002). This study presents another aspect of the significance of an objective nomination process and its role in value creation by boards.

Periodic externally facilitated reviews/evaluations

In the study, respondents with a rich experience of chairing successful boards often underline the significance of periodic reviews/evaluations of their board. These kinds of evaluation address interpersonal issues that otherwise may be overlooked and may interfere with a board's ability to perform effectively. One participant elaborates:

‘There is a softer aspect to board functioning such as the interpersonal aspect. And you find that through an externally facilitated board review. You are required to do that once in every two years. I do that more frequently than that. They make it easy for the board members to contribute.’ (Resp. 42)

Thus, with an externally assisted evaluation, boards become aware of their skill-deficiencies and behavioural vexations that adversely impact board dynamics, thus interfering with boards’ ability to create value. The respondents suggest that evaluation helps them become aware of a missing skill-set and take corrective measures against ill-fitting disruptors on boards.

‘It [board evaluation] is very important because it exposes the people around the table because of whom the atmospherics [in the boardroom] or dynamics is wrong, or it’s not going in the right direction. It enables you to address the issue.’ (Resp. 38)

Another participant who has the experience of board evaluation of multiple boards shares her experience of the exercise resulting in avoidance of potential conflict which could result in substantial value destruction in companies.

‘In board evaluations, when you interview each director and ask each of them how they regard their own and the board’s role, you get some very different and sometimes conflicting responses. They don’t know what constitutes good performance. A board that doesn’t have a cohesive view of its own role and their accountability is setting itself up for conflict.’ (Resp. 46)

The respondents in the study claim that board evaluation, if conducted by neutral, efficient, and external agencies, can prevent value destruction and indicate the shortcomings of boards which may be hampering their ability to create value. Evaluation of boards is seldom discussed

in existing literature as an important attribute of a board's ability to add value and thus, this study makes another significant and original contribution to praxis.

Value-creating boards are a team at work

The participants argue that effective boards are smaller and are composed of people each contributing to a board's functioning and decision-making. Giving an example from the world of sports, one participant suggests that the best boards have members who simultaneously complement and challenge each other.

‘The best boards are not just groups of people but teams at work. The way they do it in sports. In the best teams, if one player drops the ball, makes a mistake, his teammate will cover for him. Good teams really challenge one another and will be very demanding of one another.’ (Resp. 42)

By working as a team, boards ensure that they provide a unified and consistent strategic direction to the company, and collectively contribute to decision-making. A respondent elaborates:

‘It [effectiveness] is about being quite small but quite thorough in its thinking and being quite demanding of everybody that's sitting around the table. You know, there is no room for passengers.’ (Resp. 34)

Existing literature also suggests that value-creating boards need to explore the processes in boards (Forbes & Milliken, 1999; Charas, 2014). In a cross-country study conducted by Kakabadse and Kakabadse (2008), the authors suggest that, along with an effective Chairperson, board processes, such as well-positioned logic and constructive criticism, play a significant role in creating value for firms' relationships. Sellevold et al. (2007) suggest that in addition to knowledge and skills of board members, board processes play a significant role in

their ability to perform tasks effectively. In an international study on boards, Kakabadse and Kakabadse (2007) discovered that, with the exception of Australian boards, apex governance bodies in other countries often did not function as teams.

This study ratifies existing academic knowledge and suggests that the most effective value creation is achieved by boards that are capable of working as a team. Thus, the findings of the study not only support the existing knowledge, but also expand it by claiming that three board processes – objective succession/nomination planning, board evaluation, and boards’ ability to work as a team – are critical for boards’ effectiveness in value creations.

DISCUSSION AND CONTRIBUTION

A summary of the findings of this research is presented below in Table 3.

Table 2. The findings

Themes	Sub-themes	Sub-sub themes	Impact on value creation
Attributes of board diversity in value creating boards	Diversity of background – nationality and culture	Different approaches to issues High growth regions are represented Better risk evaluation and management May prevent short-termism	Innovative decision-making as higher risk appetite
	Diversity of background – functional experience	Improved skill-set and knowledge on boards Better expertise on boards All critical experiences are represented on boards	Improved service role performance, decision-making
	Demographic diversity – gender	Improved and more empathetic decision-making Courageous and more probing approach Better signalling to stakeholders	Effective monitoring, signaling, decision-making

Other aspect(s) of value- creating boards - board processes	Planned and objective nomination and succession	Results in nomination of independent directors Obviates the risk to reputation if the CEO fails Balances any excessive influence in board nominations	Prevents reputational loss and ensures meeting skill-gap on boards
	Periodic, externally assisted evaluation	Interpersonal issues adversely impacting board dynamics are detected As a result, potential conflict on boards is avoided	Identifies those lacking the requisite skills and/or ill-fitting disruptors on boards
	Work as a team – no free passengers	Board members are demanding of each other No room for passengers – everyone contributes	Improved contribution, camaraderie on boards

Source: Compiled by the authors

The premise at the beginning of the study, as derived from the literature review, was that board diversity may impact the value-creation ability of boards. However, the findings of the study reveal that specific types of diversity characteristics of directors help value creation in a different manner. Additionally, composing a diverse board with the critical attributes may not be enough for boards to add value, as boards also need evolved board processes which need to be diligently adhered to.

The study is one of the first to present evidence of the specific benefit of various diversity attributes on a board's ability to create value or prevent value destruction. A participant (Resp. 42) with a long experience of chairing multiple FTSE 100/250 boards in response to the question on how to compose boards that add value to organizations, suggests that there is 'no magic! Just make sure you have got people who don't think like you. Mostly make sure that you have got people that disagree with you. And challenge your outlook.'

The significance of diverse perspectives on boards in improving their value-creation abilities is outlined repeatedly by respondents. Additionally, the study suggests that value-creating boards in modern listed corporations not only require a diverse perspective but also evolved processes, which make value creation a sustainable exercise. The study points out that innovative board processes such as evaluation, nomination, and team spirit are the hallmarks of well-functioning, value-creating boards. The paper also contributes to the application of the Strategic Leadership theory (Finkelstein et al., 2009) by presenting evidence of board members' background and experience influencing their decision-making.

The quotes presented in the study are illustrative in nature as views of all the respondents could not be accommodated in the paper, due to constraint of space. These observations are supported by a significant number of participants in the study.

In this paper, we assess the ability of boards to create value with reference to their role performance, and boards' ability to create value through their role-effectiveness is the criterion of performance. Firm performance is beyond the ambit of this paper. As a result, any conventional performance indicators such as Return on Investment (RoI), share price, market share, or profit are not relied upon. As this is a qualitative study, we take the views and perceptions of board members into account and search for themes in them on the basis of a preponderance of views.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

The study is conducted with a sizeable and elite sample-set of 47 board members of UK listed companies. The study elicits and presents the views of usually reticent board members on the sensitive issue of their effectiveness. However, a multi-country quantitative study may better describe the nuances of the role of boards in value creation with more widely applicable results.

A large number of respondents in the study are UK nationals and the diversity of nationality is not as robust as the researchers would like them to be in their data-set. However, as this is the reality of boards of UK listed companies, we have reported the views and comments of a representative sample of respondents. Our findings reinforce the need to have a higher representation of other nationalities on boards, as a number of respondents favour higher diversity of nationality on boards.

This research is a qualitative study where the objective is to reveal patterns, as observed during the study, relating to the impact of board diversity on a board's role in value creation. The aim of this study is not to seek to generalize the findings. The themes revealed through the findings of the study may be further tested in quantitative research following a survey of a larger data-set of board members.

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