CHAIRPERSON AND CEO ROLE RESPONSES TO STRATEGIC TENSIONS: A UK-BASED STUDY

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Declaration

"I confirm that this is my own work and the use of all the material from other sources has been properly and fully acknowledged."

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Abstract

This exploratory, qualitative study utilises 30 elite interviews with highly experienced chairpersons and CEOs of large UK listed companies to explore how individuals holding these roles respond to strategic tensions in contexts of far-reaching change and resource scarcity. The thematic analysis undertaken in this study using the Demands–Constraints–Choices (DCC) model of roles identifies the role complexities, constraints, tensions and choices that chairpersons and CEOs face while performing their roles. This thesis's findings advance knowledge of how chairpersons and CEOs respond to strategic tensions while enacting their roles, making important contributions to both role theory and paradox and tensions literature. The findings reveal the importance of the interdependence of chairperson and CEO roles, identifying the chairperson's buffering role, relationships and dyadic work as critical for both CEOs and chairpersons in handling strategic tensions. Moreover, this thesis finds no empirical support for the idea that CEOs and chairpersons frame competing strategic demands and tensions as paradoxical. Instead, evidence suggests that tensions emerge from and are responded to within social interaction processes, where chairperson buffering and dyadic work appear to be critical. This gives partial support to emerging constitutive and processual views of paradox and tension. Finally, this thesis contributes to the debate between contingency and strategic choice and paradox perspectives on tensions, by showing that a contingency mind-set – rather than a paradoxical mind-set – predominates in chairperson and CEO behaviour and practice.

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Table of contents

Chapter 1: INTRODUCTION 1

1.1 Overview 1

1.2 Research rationale 1

1.3 Research scope, aims and objectives 4

1.4 Research contributions 4

1.4.1 Contribution to theory 5

1.4.2 Contribution to practice 6

1.5 Thesis structure 8

1.6 Chapter summary 10

Chapter 2: LITERATURE REVIEW 11

2.1 Introduction 11

2.2 The origins of paradox theory 12

2.2.1 What is paradox? 16

2.2.2 Categories and types of paradox and tension 19

2.2.3 Leadership qualities and capabilities in handling paradox and tension 22

2.2.4 Defensive and strategic responses to paradoxical tensions 25

2.2.4.1 Defensive responses and vicious cycles 25

2.2.4.2 Strategic responses to paradox 27

2.2.4.3 Responses to paradox: the constitutive and process approaches 35

2.2.4.4 Summary of paradox and tension literature 38

2.3 Corporate governance: board roles, and chairperson and CEO role behaviour 38

2.3.1 Board roles: an overview 39

2.3.2 UK boards: an overview of theory and practice 41

2.3.3 Chairperson and CEO roles 47

2.3.3.1 The chairperson role 47

2.3.3.2 CEO role 53

2.3.4 Chairperson and CEO roles: relationship and interdependence 59

2.3.5 Summary of board, chairperson and CEO roles 62

2.4 Research opportunity 63

2.5 Research questions 65

2.6 Theoretical framework: role theory 66

2.6.1 Demands–Constraints–Choices (DCC) model of roles 68

2.7 Chapter summary 70

Chapter 3: RESEARCH METHODOLOGY..73

3.1 Introduction..72

3.2 Research questions..72

3.3 Philosophical perspective..73
3.3.1 Ontology and epistemology 73

3.4 Research design 76
3.4.1 Research approach..76
3.4.2 Inquiry logic 77
3.4.3 Guiding theory..78
3.4.4 Research context 79
3.4.4.1 The broader context 80
3.4.5 Level of analysis..81
3.4.6 Unit of analysis..81
3.4.7 Time horizon 81
3.4.8 Sample selection..82
3.4.9 Methods for data collection..84
3.4.10 Methods for data analysis..88
3.4.11 Researcher involvement 90
3.4.12 Ethical issues..90

3.5 Summary of research design 91

3.6 Pilot study 93
3.6.1 Purpose of the pilot study..93
3.6.2 Pilot-study sample 93
3.6.3 Pilot-study data collection..94
3.6.4 Pilot-study data analysis..96
3.6.5 Pilot-study findings 98
3.6.5.1 CEOs’ and chairpersons’ perceptions of the business environment 98
3.6.5.2 CEO role: strategy development, implementation and communication 100
3.6.5.3 Chairperson and CEO role interdependence 101
3.6.5.3.1 Chairperson and CEO role delineation..103
3.6.5.3.2 The chairperson as a CEO support 103
3.6.5.4 The chairperson as “expectations setter” and manager of board tensions 103
3.6.6 Learning points from the pilot study..104

3.7 Research methods: main study..106
3.7.1 Gaining access..106
3.7.2 Main-study sample 107
3.7.3 Main study: elite interviewing 111
3.7.4 Data analysis 114

3.7.4.1 Transcription of interview data 114
3.7.4.2 Applying thematic analysis 115
3.7.4.3 Researcher bias 120

3.8 Chapter summary 121

Chapter 4: ANALYSIS AND DISCUSSION 123

4.1 Introduction 122

4.2 Role analysis 123

4.3 Theme development 124

4.4 Theme I. Chairperson and CEO roles: perception of business context and competing demands 126

4.4.1 Perceptions of business context: technology change, economic recession, financial crisis and regulatory change 126

4.4.1.1 Economic recession and financial crisis 128
4.4.1.2 Technology change 131
4.4.1.3 Regulatory change 134

4.4.2 Competing strategic and role-based demands 135

4.4.2.1 Competing strategic demands of restructuring and growth 135
4.4.2.2 Competing strategic demands of exploitation and exploration 138
4.4.2.3 Competing role-based demands of operational and strategic work 141
4.4.2.4 Competing demands of diversity of thinking and unity of action 142

4.4.3 Summary of Theme I 147

4.5 Theme II: Chairperson and CEO roles: role boundedness 148

4.5.1 Qualities of the chairperson–CEO relationship 149

4.5.1.1 Chairperson time and relationship trust 149
4.5.1.2 Complementarity of skills, experience and perspectives 153

4.5.2 Chairperson–CEO role boundaries 155

4.5.3 Chairperson roles in relation to the CEO 161

4.5.3.1 The chairperson as buffer 161

4.5.3.1.1 Non-executive director (NED) and board behaviour 163
4.5.3.1.2 Shareholders, analysts and other market pressures 168
4.5.3.1.3 The chairperson buffering role 174
4.5.3.1.4 Chairperson characteristics for effective buffering 178

4.5.3.1.4.1 Significant and appropriate experience 178
4.5.3.1.4.2 Independence of thinking and behaviour 180

4.5.3.2 The chairperson as adviser/counsellor to the CEO 181
4.5.3.3 The chairperson as a partner of the CEO 185

4.5.4 Summary of chairperson–CEO role boundedness 187

4.6 Theme III: Chairperson role: leading the board in order to deal with strategic tensions 190
4.6.1 Determining and managing board composition 191
4.6.2 Ensuring adequate board engagement 202
4.6.2.1 Non-executive directors' (NEDs') engagement with the business 202
4.6.2.2 Board engagement with the CEO 204
4.6.2.3 Organising board agenda and working for engagement 209
4.6.3 Managing board debate, dynamics and contribution 213
4.6.3.1 Managing board dynamics and debate on tension-generating topics 214
4.6.4 Board contribution to strategy 221
4.6.5 Summary of the chairperson role: leading the board in order to deal with strategic tensions 225

4.7 Theme IV. CEO role: strategic behaviour 228
4.7.1 Top management team (TMT) composition, size and dynamics 228
4.7.1.1 TMT composition 228
4.7.1.2 TMT size 231
4.7.1.3 TMT dynamics 233
4.7.1.3.1 The role of the CEO in the TMT process 235
4.7.1.3.2 CEO–CFO relationship and role interdependence 239
4.7.1.3.3 Education of senior leadership and role rotation 245
4.7.2 Strategy formulation 247
4.7.2.1 Articulating a business purpose 249
4.7.2.2 Determining competitive advantage and unique capabilities 252
4.7.2.3 Determining the pace and scale of change 256
4.7.3 Organisational structure redesign 258
4.7.3.1 Sequential restructuring and growth 259
4.7.3.2 Simultaneous restructuring and growth 264
4.7.3.3 Allocating exploration and exploitation demands to different business units 267
4.7.4 Strategy communication and alignment 269
4.7.5 Summary of Theme IV: CEO role: strategic behaviour 272

4.8 Summary of Chapter 4 278

Chapter 5: RESEARCH CONCLUSIONS AND CONTRIBUTIONS 289

5.1 Introduction 286

5.2 Summary of findings 286

5.3 Emergent model of chairperson and CEO responses to strategic tensions 292
5.3.1 Developing propositions 293

5.4 Evaluation of research quality 300

5.5 Achievement of research aims and objectives 303
5.6 Contributions to knowledge 306
5.6.1 Contribution to theory 306
5.6.1.1 Contribution to role theory 306
5.6.1.2 Contribution to paradox theory 311
5.6.2 Contribution to practice 316
5.7 Research limitations 319
5.8 Further research 321
5.9 Personal reflection 325
5.10 Chapter summary 327

References 329

Appendix 1: Research Invite Letter 352

Appendix 2: Interview Guide 353

Appendix 3: Example of an Interview Transcript 354

Appendix 4: NVIVO-10 Coding Structure 371

List of figures

Figure 1: Overview of the literature review chapter 12

Figure 2: Typical structure of a UK unitary board of directors 44

Figure 3: Stewart's Demands–Constraints–Choices model of role 69

Figure 4: Thematic analysis procedures...115

Figure 5: Example of Theme II formation – "Chairperson and CEO roles: role boundedness" 119

Figure 6: Emergent model of chairperson and CEO role behaviour......................293

List of tables

Table 1: Contingency theory and paradox theory..15
Table 2: Strategic responses to paradox..30
Table 3: Key studies on the chairperson role and skill set (2001–2013).................52
Table 4: Sample selection criteria..83
Table 5: Non-elite and elite interview characteristics..87
Table 6: Research design overview 92
Table 7: Pilot-study sample 94
Table 8: Main-study sample demographics 109
Table 9: Sample by industry 110
Table 10: Summary of themes 126
Table 11: CEOs' and chairpersons' competing strategic and role-based demands 147
Table 12: Research quality criteria 301
Table 13: Contributions to role theory..308
Table 14: Contributions to paradox theory 312

Abbreviations

CEO	chief executive officer
CFO	chief financial officer
COO	chief operations officer
DCC	Demands–Constraints–Choices
FTSE	Financial Times Stock Exchange
NED	non-executive director
OBE	Order of the British Empire
SID	senior independent director
TMT	top management team

Chapter 1

INTRODUCTION

1.1 Overview

This chapter introduces the thesis, which seeks to explore how chairpersons and CEOs of large UK listed companies respond to strategic tensions arising in contexts of far-reaching change.

The chapter starts with a discussion of the research rationale, emphasising both the theoretical and practical reasons that have motivated this research effort. The subsequent sections introduce the reader to the main research question that this work seeks to answer, as well as to the research's aims and associated objectives. The chapter proceeds with a brief outline of the key contributions this thesis makes to both theory and practice and then closes by providing the reader with an outline of the thesis structure.

1.2 Research rationale

In this thesis strategic tensions are broadly defined as firm-level competing demands that are handled at the highest levels of organisations and have strategic consequences for the organisation as a whole. Strategic tensions confront and are handled by CEOs and chairpersons on a continual basis – it is probably the essence of their roles' purpose. But what is less well understood is how CEOs and chairpersons individually respond to strategic tensions in their roles, as well as how they influence each other in so doing and what this means for governance and organisations. When strategic tensions are handled badly, the consequences can be dire for the organisation's stakeholders. It may lead to vicious circles, strategic persistence, escalating commitment, or simply poor strategy execution and performance. Ultimately, poorly handled strategic tensions mean maladaptation and the demise of entire firms.

The rationale for this thesis emerged from personal, practical and theoretical motives. From a personal perspective, the work of top corporate officers has always intrigued me. Often portrayed as highly capable, almost blessed with superpowers and a mystical aura, CEOs and chairpersons are, of course, only humans, but whose roles embody an enormous potential to impact, either positively or negatively, thousands if not millions of ordinary people. Having held managerial positions and an executive directorship, I have experienced numerous such tensions myself. In all honesty, I have had more failure than success in handling them. So, in this sense, the topic of this thesis is motivated my own failures as a manager.

This thesis is also motivated by concerns of a more practical nature. Most CEOs and chairpersons report facing tensions on a continual basis. A December 2016 article from the prestigious *Harvard Business Review* aimed at practitioners and academics was titled: "How can CEOs manage strategic tensions?" (Goddard and Pierre, 2016). In the article, most of the strategic tensions, including those that are role-based, that this thesis identifies are also captured, albeit under different labels. But considerations on how to handle them differ somewhat. Practising CEOs and chairpersons have a critical interest in understanding how to handle strategic tensions, because they are aware that this is effectively the crux of their respective roles. It is crucial for the companies they serve as well as for their own professional success and reputation. Thus, any research that can aid them in becoming more effective in handling strategic tensions – i.e. regarding the nature of tensions and how to address them – is potentially of value.

Lastly, this thesis is motivated by a theoretical imperative. Research on the actual role behaviour of CEOs and chairpersons is growing, but remains relatively scarce – and in many cases amounts to little more than a list of desirable attributes and skills related to effective role fulfilment. Despite widespread recognition of its centrality to board effectiveness and company performance, even less research has been done on the interaction between chairperson and CEO roles. And even less research has considered CEO and chairperson roles and their interaction in contexts marked by far-reaching and disruptive change and resource scarcity – contexts that engender strategic tensions that need to be handled at the very top of an organisation. In an era where change and disruption for businesses is more frequent than ever – because of the volatility of global integrated economies, recurrent financial and economic crisis or the unprecedented pace of technological innovation – the potential for strategic tensions to emerge at the top of organisations has grown immensely. It is therefore important to understand their nature, how CEOs and chairpersons perceive and handle them, and how they interact to devise strategic outcomes. This thesis addresses exactly this problematic. The focus of this study is of considerable interest to academics who wish to understand the unique role contributions of chairpersons and CEOs, and critically how governance and leadership interact to produce responses to often insurmountable strategic tensions which are of great consequence for an organisation.

1.3 Research scope, aims and objectives

The aim of this study is *to explore the nature of chairperson and CEO responses to strategic tensions.* The study is positioned within the growing concern with governance and board directors' effectiveness in governing and leading large organisations, which, despite successive regulatory change, continues to attract criticism, with many examples of failure to be observed. It is also founded on growing calls for research on what board directors – such as CEOs and chairpersons – actually do, as well as calls for more research that takes context seriously. With this in mind, this study pursues the following objectives:

a) To determine the nature of the business contexts within which chairpersons and CEOs perceive and face strategic tensions;
b) To explore the nature of strategic tensions faced by chairpersons and CEOs while enacting their roles;
c) To explore the demands, constraints, supports and choices faced by chairpersons and CEOs while enacting their roles;
d) To explore chairpersons' and CEOs' responses to strategic tensions;
e) To propose a model of chairperson and CEO responses to strategic tensions.

The overarching research question that arose after careful review of the relevant literatures is: "How do chairperson and CEO roles respond to strategic tensions?"

1.4 Research contributions

This study makes contributions to role theory and paradox and tensions theory and research; it also serves as a resource for practising and aspiring CEOs, chairpersons and regulators.

The next two sections provide a summary of these contributions, which are then further detailed and discussed in **Chapter 5, Section 5.6.**

1.4.1 Contribution to theory

This study first of all contributes to role theory, particularly studies that examine CEOs' and chairpersons' behaviour and interaction. The thesis confirms previous research that demonstrates a high degree of interdependence between chairperson and CEO roles, as well as the qualities and attributes of the relationship that influence this interaction. Furthermore, this study identifies important dynamics in role boundary delineation between these critical roles, suggesting that normative role boundary delineation is accountability-focused, whereas boundary delineation based on each role incumbent's contribution of skills, experience and relationships is problem-solving-focused. The former is found to sometimes impede joint stewardship and separation of efforts to work through strategic tensions, whereas the latter provides the clarity required for handling tensions via meaningful accountability and joint stewardship. A critical contribution to the application of role theory, particularly the Demands–Constraints–Choices model of roles (Stewart, 1967, 1982), is the identification of a critical buffering role performed by the chairperson in relation to the CEO. This role – often invisible to many governance researchers – includes processes of insulation and regulation whereby the chairperson shields the CEO from particular expectations arising from powerful stakeholders such as non-executives, shareholders and analysts, while also regulating the CEO's emotion, cognition and behaviour that form part of his/he responses to those expectations. The buffering role thus helps the CEO to handle a multitude of often contradictory expectations, and critically determines important strategic outcomes such as the relative balance between short- and long-term performance, risk-taking and pace, scale and direction of strategic change. Finally, this study contributes to role theory by emphasising the importance of relationships and dyadic work for CEOs (between CEO and chairperson, CEO and CFO, or even CEO and COO) in handling competing strategic demands.

The contributions made to role theory critically link to contributions to paradox and tensions theory. The buffering role of the chairperson in relation to the CEO, and the importance of relationships and dyadic work and practice, reveal the nature of strategic tensions as socially constructed, while finding no empirical support for tensions being perceived or framed as paradoxical by chairpersons and CEOs. In so doing, this thesis contributes to emerging research that sees paradox as an elusive concept, while pointing in the direction of new approaches to paradox and tension that only now begin to appreciate *"discourses, social interaction processes, practices and ongoing organisation activities"* (Putnam, Fairhurst and Banghart, 2016:67) as sources of tension as well as the mechanisms to handle and work through tensions. Social interactions, dyadic work and practices are also found to be contingent on CEOs' and chairpersons' perceptions of environmental challenges. Contrary to some paradox scholars who have quickly dismissed contingency theory as outdated and unable to deal with paradox, this thesis finds not only that paradox is not perceived and framed by CEOs and chairpersons, but also that in handling tensions a contingency perspective remains important in explaining choice of practice and behaviour.

1.4.2 Contribution to practice

This study contributes to practice by clarifying the nature of chairperson and CEO role behaviour as well as of their interaction in contexts of far-reaching change and poor performance. Specifically, the study finds that chairperson–CEO role boundaries and the division of tasks and responsibilities between them need to be applied in a circumstantial manner, focusing on how each role incumbent (irrespective of normative roles) can contribute skills, experience and relationships to help address challenges and strategic tensions confronting the company. A focus on prescribed rigid arrangements, this study finds, may serve as a defence mechanism by which role incumbents avoid meaningful accountability and joint stewardship of the company and it may lead to an inability to find the necessary resources for problem resolution. This should be a point of reflection and debate for regulators and boards.

This study also advances understanding of the chairperson role in relation to the CEO. It identifies a critical buffering role exercised by the chairperson that insulates the CEO from certain expectations and pressures from powerful stakeholders, as well as regulating the CEO's responses to strategic tensions. Chairpersons are encouraged to appreciate the importance of buffering and how it continually impacts important strategic outcomes such as long- and short-term performance balance, risk-taking, and the pace, scale and direction of change. In addition, this thesis uncovers a number of chairperson practices that may increase their effectiveness in creating a context for the effective handling of strategic tensions by the CEO and the board. Furthermore, this thesis places an emphasis on contingency, dyadic interactions and relationships and practice. Chairpersons need to constantly reflect on how practice helps to both address and generate strategic tensions, and how dyadic interactions and other social exchanges impact on raising, debating and finding appropriate responses to tensions.

Practising and aspiring CEOs may also benefit from the findings and insights contained in this thesis. It identifies a number of practices that CEOs often use in contexts of far-reaching change – contexts that present them with strategic tensions. These practices include: building the top team and considering questions of composition, size and relationships, including delegation of decision-making and the CEO–CFO relationship and dyadic work; strategy formulation, including considerations on whether to establish a new corporate purpose, where the company competitive advantage lies, and what the firm’s unique capabilities are; organisational structure redesign; and strategy communication and alignment. Critically, CEOs are called on to recognise how each practice may support the handling of ongoing tensions, as well as the practice potentially being the source of new tensions which can develop both intentionally or unintentionally.

In summary, this thesis provides practising chairpersons and CEOs with an opportunity to reflect on their roles in particular contexts, contributing to leadership development and effectiveness.

1.5 Thesis structure

This thesis is structured as follows. Chapter 2 offers a critical literature review and discussion of paradox and tensions theory and research. It provides a logical progression tracing paradox back to early writers in organisation and management theory. It discusses the basic tenets of paradox theory with reference to contingency theory, and addresses important ontological questions with regard to this literature. It continues with an exploration of the concept of paradox and tension, showing how the concept has evolved as well as the types of paradox and tension to which literature and research has been devoting the most attention. This is followed by a section on the leadership qualities that research has associated with the effective handling of paradox, as well as the defensive and strategic responses often displayed by individuals faced with paradox and tension. The second part of Chapter 2 discusses corporate governance literature, particularly on boards of directors. It starts with a broad discussion of the role of the board of directors, then focuses on UK boards' structure, composition and practice from regulatory and research perspectives. The discussion then drills down to focus on extant research that examines the individual roles of CEO and chairperson, and their complexities, tensions, demands and constraints. It also provides a brief overview of the criticality of the relationship between these key roles for the effectiveness of corporate governance. The chapter closes with the articulation of the research opportunity, research questions and a discussion of the theoretical framework selected to guide the research effort.

Chapter 3 details the research methodology used in conducting the study, including the philosophical foundations, study approach, inquiry logic, guiding theory, research context, level and unit of analysis, time horizon, sample selection, methods for data collection and analysis, pilot study, and ethical considerations.

Chapter 4 combines both research results and discussion. It lays out the research findings, which are organised into four overarching themes, and discusses them in relation to extant literature and research.

The fifth and final chapter summarises the discussion of findings and proposes a model that encapsulates the key relationships that emerged, offering new propositions for future testing. It proceeds with an evaluation of the study's research quality and discusses how well the study's aims, objectives and research question have been met. It then outlines the study's contribution to both theory and practice. The chapter ends by acknowledging the study's limitations, suggesting future research avenues and offering a personal reflection about the doctoral journey.

1.6 Chapter summary

This chapter has introduced the thesis by outlining the research rationale, research questions and the aims and objectives of the research. It has also provided a brief, condensed overview of the contributions made by this study to both theory and practice. The next chapter provides the reader with a review of the literature on paradox, tension and board directors (with an emphasis on CEO and chairperson roles) and articulates the research opportunity and the guiding framework of the Demands–Constraints–Choices (DCC) model (Stewart, 1967, 1982) selected for this study.

Chapter 2

LITERATURE REVIEW

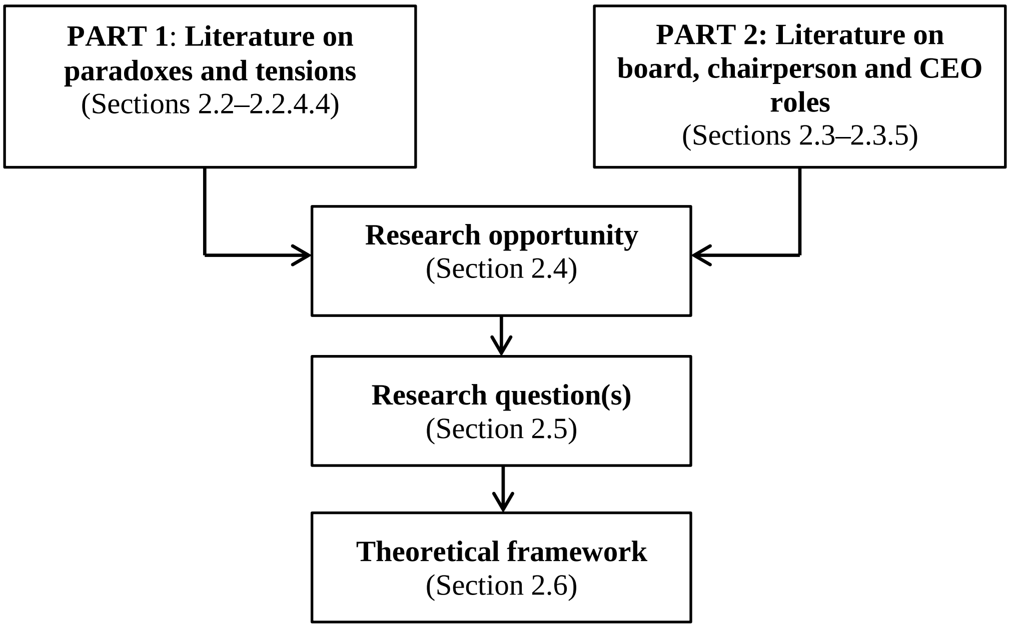
2.1 Introduction

This chapter critically reviews two streams of literature: research and theory on (1) paradox and tension, and (2) board of directors, chairperson and chief executive officer (CEO) roles.

The literature on paradox and tension is reviewed with regard to the nature of paradox and tension, the types and categories of paradox and the different approaches in responding to paradox and tension. Particular attention is paid to studies that examine paradox and tension at the organisational level (often called strategic paradoxes or tensions), but also of interest is how paradoxes and tensions are handled at the individual, top management team (TMT) and board levels. Particular emphasis is given to the leadership qualities, behaviours and practices that are associated with effective handling of paradoxes and tensions.

The second part of this literature review discusses the role of the board of directors, highlighting particular tensions among seemingly competing roles. It then focuses on the role of the board in the context of United Kingdom (UK) listed companies, highlighting the typical structure, key individual roles and dynamics. The review continues by considering in more depth the roles of chairperson and CEO, building on research that discusses the distinct contributions of these roles, but also areas of complementarity, ambiguity and tension. Figure 1 depicts the structure of this chapter.

Figure 1: Overview of the literature review chapter



This examination of the two streams of literature leads into the following section, which articulates the research opportunity presented and the research questions pursued by this thesis. Next, role theory is discussed as the theoretical framework underpinning this study, highlighting its value and appropriateness as a lens through which to explore *how chairpersons and CEOs respond to strategic tensions*. The chapter closes with a summary.

2.2 The origins of paradox theory

Paradox theory is gradually demanding a position in its own right as a frame to examine organisational phenomena. Early proponents of paradox theory posited that paradox may be both an object of study as well as a powerful lens through which to study disruptive and divergent organisational phenomena (Cameron and Quinn, 1988; Poole and Van de Ven, 1989). A number of early studies depicted the organisational system and the work performed by its members as inherently paradoxical and riddled with contradictions (e.g. Rothenberg, 1979; Cameron, 1986). The ability of individuals to work through paradoxes and contradictions was found to be predicated on creative breakthroughs (Rothenberg, 1979) and organisational effectiveness (Cameron, 1986). These early theorists saw the ability of organisations to find a balance between opposing attributes (i.e. tight and loose, role specialisation and integration, continuity and change) to be a fundamental requirement in resisting or adapting to environmental disruptions (Cameron, 1986; Cameron and Quinn, 1988). Paradox theorists drew from ancient philosophy as well as psychology and psychoanalysis. One such influence was Bateson (1935, 1936), whose term "schismogenesis" refers to a process of self-reinforcement where one attribute perpetuates itself until it becomes extreme and therefore dysfunctional leading to a system breakdown (Cameron, 1986:546). But, unlike "schismogenesis", paradox implies mutually exclusive opposites which co-exist both dependently and independently in organisations (Cameron, 1986). Thus, paradox is simultaneously dependent on, and constructed by, individual cognition and social interaction, yet independent from the individual because paradoxes are inherent in complex, dynamic and ambiguous organisational systems (Lewis and Smith, 2014; Smith and Lewis, 2011).

The mere presence of paradox and the ability to find a workable balance between opposites has always been associated with excellence, peak performance and sustainability (e.g. Peters and Waterman, 1982; Rothenberg, 1979; Smith and Berg, 1987). An early example is Cameron's (1986) paper discussing the relationship between paradox and organisational effectiveness. In this paper, Cameron specifies three principles of paradox that still permeate current literature. First, extremity in any criterion of effectiveness creates linearity and dysfunction: therefore organisational effectiveness criteria should *"include a balance in opposing indicators"* (Cameron, 1986:549). Second, he argues that synthesis is not a *sine qua non* for organisational effectiveness. Resolution of paradox may prematurely eliminate the creative tension arising from it, such tension being deemed the true source of effectiveness. Last, Cameron argues that paradoxes are themselves "paradoxical" since they are confusing and understandable, common and surprising (1986:549). A recent paper poignantly observed the paradoxical nature of paradox: *"Paradox is a mental construction and therefore can be mentally dissolved and paradox is inherent in all social life and therefore cannot be dissolved – just lived"* (Lüscher, Lewis and Ingram, 2006:499). The critical underlying argument is that, to sustain peak performance, organisations must simultaneously embrace paradox and tension, moving from "either–or" to "both–and" solutions (Cameron and Quinn, 1988; Smith and Berg, 1987).

These and other early paradox scholars laid the foundations of paradox theory. However, it wasn't until the turn of the millennium that paradox theories became more systematised, re-emerging with Lewis's (2000) theoretical paper that brought needed additional clarity about the concept and the fundamentals of the theory. It was followed by a surge of paradox studies. Smith and Lewis (2011) documented that publications about paradox grew at an average of 10 per cent a year between 1998 and 2008, and probably at an even higher rate subsequently. Yet much of this work is still rather theoretical and thus far has failed to garner the strong and unified support needed for the theory to become well established in organisation and management science (Lewis and Smith, 2014:128). Nonetheless, paradox scholars have claimed that paradox theory *"enable(s) the next generation of organising and management theory ... heading in an era beyond contingency theory"* (Lewis and Smith, 2014:140-141). Several theoretical papers have attempted to show how paradox theory is a post-contingentialist alternative and more suitable lens through which to study organisational phenomena (e.g. Lewis and

Smith, 2014; Smith and Lewis, 2011). **Table 1** summarises the key points in comparing paradox theory to contingency theory.

Table 1: Contingency theory and paradox theory

Key tenets	Contingency	Paradox
Nature of tensions	• Tensions are organisational problems in need of a solution.	• Tensions are ubiquitous and persistent, and challenge and fuel long-term success.
Core premise	• Fit between managerial decisions (e.g. elements of organisational design) and contingencies (e.g. environment, strategy and task) which lead to positive organisational performance.	• Co-existence. Acceptance and engagement enables actors to live with and thrive under tensions.
Key question	• Under what conditions should managers emphasise either A or B?	• How to engage both A and B simultaneously?
Type of logic	• Formal logic enabling rational decision-making, "if–then" problems.	• Paradoxical thinking; holistic and dynamic decision-making, "both–and" approach.
Context	• Choices between A and B are driven by the needs of the current context, and the option offering greatest fit.	• Doesn't matter, as tensions are persistent and therefore any context will face the same tensions over and over.
Role of senior leadership	• To choose the best fit, and vigorously implement a combination of structure–strategy–systems.	• Senior leaders enable the interplay between differentiated efforts and seek more holistic synergies between strategies. • Dynamic capabilities seek ongoing engagement of opposites via fluid organisational routines. • Senior leadership efforts and leadership cognitions.
Inquiry methods	• Favours explanatory methods stressing cause-and-effect relationships among selected variables.	• Contextualised and process-oriented methodologies which include more discursive and systemic methods.

Source: Compiled from Smith and Lewis (2011) and Lewis and Smith (2014)

Contingency theory supported by an "if–then" logic is believed to be useful in explaining dilemmas, conflicts, dialectics and trade-offs (i.e. non-paradoxical tensions) but is not supposed to be helpful when considering paradoxical tensions (Lewis and Smith, 2014). More recent theoretical work, however, has come to recognise the value of contingency theory in paradox research. Li (2016) finds that trade-off and synergy are inherent in paradox. Cunha and Clegg (forthcoming) argue for an "either–or" logic integrating both contingency and paradox approaches. Putnam, Fairhurst and Banghart (2016) show how responses to paradox are contingent on power distribution and sense-making. Schad et al. summarise the most recent views on this debate:

> *… even paradox scholars are challenged to think ever more paradoxically, as these dynamics may require both paradox theory and contingency theory approaches. While the paradox lens clarifies tensions and their ongoing management, contingency theory may contribute insights into shifts between the poles or between different strategies, clarifying conditions that might drive such moves.* (2016:47)

It is nevertheless important to distinguish paradoxical from non-paradoxical tensions.

2.2.1 What is paradox?

Early scholars have identified characteristics that seem to be present in paradox, indicating the simultaneous presence of oppositional tendencies or elements, and an interplay and persistence over time (e.g. Putnam, 1986; Smith and Berg, 1987). Such characteristics may include self-referential loops or double binds, mixed messages and system contradictions (Putnam, 1986). Self-referential loops refer to contradictory outcomes as a result of a specific action. Mixed messages include contradictions between statement and actions, reinforced through discourse or language. Systems contradictions describe opposition and contradiction between different subsystems which pursue divergent goals and have different temporal and cognitive orientations (Putnam, 1986; Smith and Berg, 1987; Vince and Broussine, 1996).

However, what failed to emerge from these characteristics was a unified definition of paradox that could set it aside from other similar phenomena such as dilemmas, trade-offs and dialectics. The first attempt to provide conceptual clarity was made by Lewis (2000). Paradoxical tensions *"are perceptual – that is, cognitively or socially constructed polarities that mask the simultaneity of conflicting truths"* (Lewis, 2000:761) and are distinct from other, non-paradoxical tensions. Unlike dilemmas, trade-offs and dialectics, paradoxes are *"two faces of the same coin"* (p. 761). However, it wasn't until Smith and Lewis's (2011) paper that distinctions from non-paradoxical tensions such as dilemmas, dialectics and dualities were made clearer. Dilemmas denote a tension between two clear competing alternatives, each of which has advantages and disadvantages, and may become paradoxical *"when options are contradictory and interrelated such that any choice between them is temporary and tension will resurface"* (Smith and Lewis, 2011:387). In turn, dialectic represents *"contradictory elements (thesis and antithesis) resolved through integration (synthesis), which, over time, will confront new opposition"* (Smith and Lewis, 2011:387). Dialectics, too, may become paradoxical when the elements are both contradictory and interrelated, and synthesis emphasises commonalities over differences, making integration temporary (Smith and Lewis, 2011). More recent work has sought to further develop different definitions (for a review, see Putman, Fairhurst and Banghart, 2016). In working through differences between non-paradoxical tensions and paradox, a definition of paradox has emerged which is now conventionally accepted in the literature. Paradoxes are defined as:

> *… contradictory yet interrelated elements that exist simultaneously and persist over time.* (Smith and Lewis, 2011: 382)

Yet, because paradox is constructed by individual cognition and social interaction, it depends critically on individual perception and interpretation: it still little understood whether and under which circumstances individuals frame tensions as opposing and interrelated polarities existing simultaneously and over time. It is recognised that *"what creates a paradox to one person may suggest straight logic to another"* (Lüscher, Lewis and Ingram, 2006:499). On the other hand, tensions are said to be inherent in complex organisational systems, and exacerbated by ambiguity that results from individuals' limited understanding of the totality of the system and its interacting components (i.e. subsystems) (Merton and Barber, 1976) and by decision-makers' bounded rationality (March and Olsen, 1976). This suggests that individuals who sit at the apex of the organisational system (i.e. CEOs, chairpersons) are in a unique position (and are expected) to understand the totality of the system and its complex interrelations. Moreover, albeit bounded-rational, chairpersons, CEOs and their top teams will normally have, both as individuals and collectively, superior information-processing capabilities. It would thus be expected that, for example, CEOs would frame organisational tensions as paradoxical. However, recent studies (i.e. Fredberg, 2014), and even practitioners and consultants working with tensions/polarities for over 40 years (Johnson, 2014), do not find the concept useful, or indeed often hear it brought up by CEOs in the manner described by theory.

Thus far the concept of paradox has been defined and problematised in relation to other non-paradoxical tensions. The nature of paradox as both inherent in complex systems and constructed by individual cognition and social interaction has also been debated. The next section will proceed with a discussion of the types and categories of paradoxes and tensions, focusing in particular on studies that have explored this at CEO and similar organisational levels.

2.2.2 Categories and types of paradox and tension

The simultaneous presence of contradictory and interrelated elements in organisations has been brought up by numerous management and organisation studies, without really referring to the concept of paradox. Early contingency theorists suggested that high, sustained company performance depends on the ability to achieve simultaneously high levels of structural differentiation and integration within the company (Lawrence and Lorsch, 1967; Galbraith, 1973). Other organisation theorists (Morgan, 1981) described a similar organisational duality by showing how organisations could benefit from simultaneously engaging tight–loose coupling, centralisation and control and decentralisation and delegation (Siggelkow and Levinthal, 2003), and efficiency and flexibility (Adler, Goldoftas and Levine, 1999). Such tensions have been conceptualised by Smith and Lewis (2011) as *paradoxes of organising*, as they revolve around tensions between control and flexibility expressed in aspects of performance, empowerment and formalisation.

Other tensions have been described as *performing paradoxes*. Such paradoxes arise when the organisation is confronted with a plurality of stakeholders which have different, competing goals and seek divergent measures of success (Smith and Lewis, 2011). Many studies point to the competing demands often faced by business leaders of economic shareholder value maximisation and corporate social responsibility (Demb and Neubauer, 1992; Margolis and Walsh, 2003; Smith, Gonin and Besharov, 2013), global coordination and local adaptation (Bartlett and Ghoshal, 2002; Fredberg, 2014), retrenchment and recovery (Schmitt and Raisch, 2008), and exploitation and exploration (Andriopoulos and Lewis, 2009; Smith and Tushman, 2005; Tushman and O'Reilly, 1996), among others. These competing demands are defined as *strategic paradoxes* because they are firm-level performing tensions arising from competing strategies and goals (Smith, Binns and

Tushman, 2010; Smith and Lewis, 2011). Strategic paradoxes are seen as *"particularly prevalent, challenging, and consequential to an organization's fate"* (Smith, 2014:1,593). Such paradoxes and tensions are therefore expected to be perceived and handled at the highest levels of the organisation, i.e. by CEOs, chairpersons and other top directors.

Smith and Lewis (2011) identify two further core paradoxes: the paradox of learning and the paradox of belonging. The paradox of learning depicts *"efforts to adjust, renew, change, and innovate [which] foster tensions between building upon and destroying the past to create the future"* (Smith and Lewis, 2011:383). Learning paradoxes are triggered, for example, by exploitation–exploration tensions (Andriopoulos and Lewis, 2009; Jarzabkowski, Lê and Van de Ven, 2013) or even retrenchment–recovery tensions (Schmitt and Raisch, 2008). In both cases, business leaders are faced with the tension of learning from the past and existing products while also developing capabilities for future products, or by retrenching the existing organisation to be able to recover and build new capabilities (Schmitt and Raisch, 2013).

Paradoxes of belonging occur at the meso level (Jarzabkowski, Lê and Van de Ven, 2013) and foster tensions between competing values, roles and memberships of an individual's immediate reference group and other groups or the wider organisation (Smith and Lewis, 2011). Studies supporting identity (Stryker and Serpe, 1982) and social identity theories (Ashforth and Mael, 1989), point to tensions of belonging in the boardroom such as the emergence of a "them-versus-us culture" between executive and non-executive directors as a result of increased control, which impacts on the quality of directors' discretionary behaviour (Knapp, Dalziel and Lewis, 2011). Other studies, point to socio-demographic faultlines as a source of in/out board social categorisations (Tuggle, Schnatterly and Johnson, 2010). Hillman, Nicholson and Shropshire (2008) theorise about the relationship between directors' strength of identification with multiple identities (CEO, shareholders, company) and the extent to which they engage in control and resource provision tasks (i.e. how they perform their role).

Smith and Lewis's (2011) categorisation of paradoxes gives the false impression that such paradoxes are experienced in isolation. Research has shown, however, that paradoxes are associated with one another and co-evolve (Lüscher and Lewis, 2008; Smith and Lewis, 2011), but so far the recursive relationship between paradoxes remains "a conundrum" (Jarzabkowski, Lê and Van de Ven, 2013).

Recent research has identified further paradoxes that CEOs of large multinational companies confront in their leadership practice. For example, Fredberg's (2014) interview-based study of 20 global CEOs identified seven distinct paradoxes: of location, change, creativity, diversity, direction, innovation and globalisation. The paradox of location refers to the requirement for the CEO to be simultaneously omnipresent and yet keep away (i.e. need for empowerment). The paradox of change refers to a feeling CEOs get that the more that change initiatives are implemented, the less seems to happen. Similarly, the paradox of creativity refers to a feeling that the more ideas are launched the fewer seem to succeed. The paradox of direction refers to the conflicting demands of stimulating activity towards defined goals yet allowing for independent action. The paradox of innovation reflects what has been described by ambidexterity scholars (e.g. Andriopoulos and Lewis, 2009) as a requirement to ensure both operational excellence (i.e. current operations, products and markets) and simultaneously ensure long-term innovation and entrepreneurial activity. Finally, the paradox of globalisation describes the requirement to be both locally adaptable and globally consistent (Fredberg, 2014). Fredberg's study proposes that paradoxical tensions reside in competing ways of performing the CEO role. This is in line with research that sees paradox as inherent in leadership practice (Waldman and Bowen, 2016) and that a synthesis of opposing poles is *"a result of action, enacted, not designed"* (Clegg, Cunha and Cunha, 2002:497). These studies, which see paradox as produced and reproduced by practice, have identified further paradoxes faced by corporate leaders. For example, Waldman and Bowmen (2016) identify the paradoxes of *"leaders' strong sense of self combined with humility"* and of *"maintaining control while letting go of control"* as stemming from a fundamental tension between agency and communion (i.e. asserting one's identity, goals and interests while simultaneously deferring to collective needs and interests). Furthermore, the fundamental tension between "now and next" (i.e. being reactive in attending to today's demands yet proactive in identifying and pursuing more fundamental change for the future) is expressed in paradoxes of simultaneously *"maintaining continuity and pursuing change"* and of *"pursuing Corporate Social Responsibility (CSR) for profits and maintaining moral purposes"* (Waldman and Bowmen, 2016).

As the paradox perspective gains popularity, a growing number of studies – most of which theoretical – have emerged, identifying tensions and paradoxes that pervade organisations and present challenges to corporate leaders.

2.2.3 Leadership qualities and capabilities in handling paradox and tension

From its inception, paradox literature has devoted attention to the leadership qualities and capabilities required to effectively engage with paradox and tension. Such qualities and capabilities are behavioural, cognitive and emotional in nature.

Leaders require cognitive complexity (Bartunek, Gordon and Weathersby, 1983; Smith and Lewis, 2012; Weick, 1979) or what Rothenberg (1979) called Janusian thinking in order to handle paradox and tension effectively. Cognitive complexity can be defined as the ability and degree to which an individual perceives and differentiates several dimensions of an issue and the ability and degree to which he or she can connect or integrate those dimensions (Bartunek, Gordon and Weathersby, 1983). These early concepts around cognitive complexity are called “paradoxical thinking” by some contemporary paradox proponents, and are shown to be relevant for CEOs and their top teams in managing strategic contradictions (Gilbert, 2006; Miron-Spektor, Gino and Argote, 2011; Smith and Tushman, 2005). Recent research on Chinese middle managers provided support for holistic thinking and integrative complexity as significant predictors of paradoxical leader behaviour in people management (Zhang et al., 2015). Whereas the concept of integrative complexity receives a similar definition as cognitive complexity, holistic thinking refers to an ability to *“attend to relationships between the focal object and the field and explaining and predicting events on the basis of such relationships where the locus of attention is the whole rather than its parts”* (Nisbett et al., 2001:293; see also Choi, Koo and Choi, 2007). However, exhibiting cognitive complexity alone does not imply effective handling of paradox and tension. As Denison, Hooijberg and Quinn (1995) point out, *“leadership must inevitably be performed through action, not cognition”* (p. 524), hence *“although cognitive complexity is a necessary condition for effective leadership, behavioural complexity which connotes both action and cognition is its sufficient condition”* (p. 525).

Building on Quinn’s (1984, 1988) model of leadership roles and on Ashby’s (1952) ideas of requisite variety, Denison, Hooijberg and Quinn (1995) tested Quinn’s (1984) model by suggesting that highly effective leaders exhibited higher behavioural complexity. Such leaders could more clearly exhibit all the eight leadership roles of Quinn’s framework in a differentiated manner, yet simultaneously integrate those roles into a coherent whole (Denison, Hooijberg and Quinn, 1995; Hart and Banbury, 1994; Hart and Quinn, 1993). For Denison and colleagues, effective leadership was defined in terms of behavioural complexity as *"the ability to perform the multiple roles and behaviors that circumscribe the requisite variety implied by an organisational or environmental context"* (p. 526). The concept of behavioural complexity has been described as an essential leadership quality for effective handling of paradox ever since the Denison, Hooijberg and Quinn (1995) study (e.g. Smith and Lewis, 2011; Waldman and Bowen, 2016).

In addition to cognitive and behavioural qualities, emotional equanimity and emotional self-regulation have been identified as critical leadership qualities in handling paradox and tension. Paradox and tension raise individual defences, produce anxiety and may be hard to endure (Vince and Broussine, 1996; Lewis, 2000; Smith and Lewis, 2011). Emotional equanimity is defined by Smitn and Lewis (2011) as "an emotional calm and evenness" and helps leaders to avoid defensive responses to paradox and reduce anxiety, thereby avoiding vicious circles. The ability to regulate emotions, which entails *"modulating emotional experience to attain desired affective states and adaptive outcomes"* (Lopes et al., 2005:113), has been described as an important attribute in effective handling of paradox and tension (Waldman and Bowen, 2016).

Although cognitive and behavioural complexity, emotional equanimity and regulation are the most often referenced leadership capabilities for effective handling of paradox and tension, Smith and Lewis (2012) summarised three other necessary skills/qualities: a) confidence; a) communication; and c) conflict management. Confidence is said to stand in contrast to the feeling of "stuckness" and allows leaders to accept the inherent difficulties of paradox and tension while still moving forward. Conflict management skill is required, as the confrontation with paradox and tension by other managers and divisions requires leaders that are able to defuse emotional situations and elicit synergies. Communication is indicated as a critical leadership skill in harnessing paradoxical tensions (Smith and Lewis, 2012), often manifested in the ability of leaders to craft and communicate an *"overarching organisational identity"* (Smith and Tushman, 2005) or a "both–and" vision (Lewis, Andriopoulos and Smith, 2014), or simply reinforce paradoxical messages, all with the intention of ensuring that the organisation excels in addressing competing yet interrelated demands.

Waldman and Bowen (2016) argue – in contrast with some other authors – that leaders are (still) being selected on the basis of qualities such as strong sense of self, high degrees of confidence and boldness, cautioning that such characteristics may not provide a basis for effective handling of paradox and tension.

Thus far, the leadership qualities, capabilities and skills that underpin an ability to engage with paradox have been discussed. The next two sections will deal with general defensive and proactive responses to paradox and tension, and with paradox responses as inherent in everyday (leadership) practice.

2.2.4 Defensive and strategic responses to paradoxical tensions

Responses to paradox and tension are generally classified into two types: i) defensive and ii) strategic or reconciliatory (Lewis, 2000; Lewis and Smith, 2014; Smith and Lewis, 2011). Defensive responses have received the least attention in the literature, which has largely concentrated on identifying responses that could effectively engage with paradox and tension.

2.2.4.1 Defensive responses and vicious cycles

In environments characterised by change, plurality and scarcity, individuals grappling with competing demands often exhibit a cognitive and behavioural drive for consistency along with emotional anxiety and defensiveness, as well as being subject to organisational inertial forces (Lewis and Smith, 2014; Smith and Lewis, 2011). This propels individuals and organisations into vicious negative reinforcing cycles and triggers defensive responses, such as splitting (accentuating differences), projection (transferring the negative attributes to someone or somewhere else), repression (denying the paradox), regression (insisting on using past, successful understandings to deal with paradox), reaction formation (expressing in an excessive way something opposite to the paradoxical tension) and ambivalence (initiating action that lacks strength because it is too much of a compromise) (Lewis, 2000; Vince and Broussine, 1996). Individuals may also avoid risk and conflict, and drive towards consistent and simplistic behaviours when faced with paradox (Lewis and Smith, 2014). Sundaramurthy and Lewis (2003) showed how vicious circles might emerge, and used the governance control–collaboration tensions often experienced in corporate boards as an illustrative example. During high-performing cycles, an excessive focus on collaboration between the board and the executive would foster "groupthink" and a vicious circle of consensus-seeking, complacency and entrenchment which would lead to faulty attribution errors and strategic persistence. Through time, strategic persistence would propel the company into a low-performing cycle, where continued faulty attribution would then lead to threat-rigidity, escalating commitment and, ultimately, failure (Sundaramurthy and Lewis, 2003). Similarly, too much emphasis on control during high-performing cycles would create board–management polarisation, increased distrust and myopic behaviour, again leading to strategic persistence. As strategic persistence would push the firm into a low-performing cycle, continued emphasis on control would trigger impression management along with factionalising turf-wars, and again ultimately lead to failure (Sundaramurthy and Lewis, 2003).

However, aside from this theoretical illustration, there has been little consideration in the literature towards exploring defensive responses, and an omission to provide evidence to support the fact that failure and poor performance could be the result of a vicious cycle. Instead, researchers have concentrated on how to engage paradox for superior performance and how to promote virtuous cycles.

2.2.4.2 Strategic responses to paradox

Responses that seek to use paradox as a source of organisational advantage have been described as proactive (Sundaramurthy and Lewis, 2003), reconciliatory (Smith and Lewis, 2011) and strategic (Lewis and Smith, 2014). The term "strategic" seems to better capture the different approaches found in the literature for handling paradox, as this term does not imply resolution. Strategic responses are used to break or prevent vicious cycles and develop virtuous ones (Sundaramurthy and Lewis, 2003). However, the solution for dealing with paradox and tension varies fundamentally in relation to the approach to paradox.

Clegg, Cunha and Cunha (2002) identify two distinct approaches to paradox in management and organisation literature. A first approach – rooted in contingency theories – argues that the two poles of a paradoxical tension are extremes of a continuum, and that the role of the manager is to strike a balance according to the internal and external contingencies of the firm (Clegg, Cunha and Cunha, 2002). Internal and external contingencies determine whether to pursue more of A or more of B, and the relative balance is assessed as circumstances change. This approach has been criticised by many (e.g. Lewis, 2000; Smith and Lewis, 2011) because it leads to simplicity of choice, false compromises and synthesis, depicting the relationship between poles as unidirectional (Clegg, Cunha and Cunha, 2002). Such an approach is exemplified by Porter's (1980,

1985) ideas that managers should not attempt to enact dual strategies of cost advantage and differentiation, otherwise they risk being "stuck in the middle". Instead, they should choose either one or the other. However, there are illustrations of how managerial practices can engage both cost advantage and differentiation simultaneously to achieve hard-to-imitate competitive advantage (e.g. Heracleous and Wirtz, 2014).

A second approach attempts to accept and solve tensions by integrating them into a synthesis – a new understanding that, at least temporarily, eliminates or relieves the anxiety that paradox brings (e.g. Clegg, Cunha and Cunha, 2002; Lewis, 2000; Smith and Lewis, 2011). This approach includes strategies of accepting, accommodating and differentiating/integrating (Smith and Lewis, 2011; Smith, 2014).

Accepting (Lewis, 2000; Lüscher and Lewis, 2008; Schneider, 1990; Smith and Berg, 1987; Vince and Broussine, 1996) requires *"learning to live with paradox"* (Lewis, 2000:764) by holding the paradox and appreciating differences and commonalities between its two poles so as to stimulate thinking and novel solutions. Accepting does not imply resolution, but an appreciation that contradictions and paradoxes exist and are of value to the organisation. It is about purposefully seeking and valuing paradox (Lewis, Andriopoulos and Smith, 2014). It may also include developing a "workable certainty" derived from a negotiated understanding that permits a moving-forward (Lüscher and Lewis, 2008), or humour (Hatch and Erhlich, 1993) and communication (Jarzabkowski and Sillince, 2007) to embrace paradox. Acceptance approaches do not imply resolution of paradox. But most scholars who advocate acceptance as a strategy for handling paradox do so as a first step towards employing other strategies for resolution, often suggesting sequential approaches of acceptance–confrontation–transcendence (Lewis, 2000) or iterative responses of confrontation–differentiation–integration (Smith and Lewis, 2011).

Accommodating responses make use of paradoxical frames to find innovative synergies between the two poles of a paradox – a synthesis that can address both poles simultaneously (Lewis, 2000; Smith, 2014; Smith and Lewis, 2011). Such synthesis brings in new terms or practices that enable the solving of paradoxes (Poole and Van de Ven, 1989), at least temporarily (Smith and Lewis, 2011).

Poole and Van de Ven (1989) have proposed strategies of opposition, spatial separation, temporal separation and synthesis as ways to handle paradox. Spatial separation requires an understanding that the two poles of a given paradox operate in *"one physical or social locus, while the other operates in a different locus"* (Poole and Van de Ven, 1989:566), whereas temporal separation requires an understanding of how the two poles might relate to each other on a time basis. One pole might influence the conditions under which the other pole will operate, create the conditions necessary for its existence, or there may be a dynamic mutual influence over time between the two poles (Poole and Van de Ven, 1989). Spatial separation and temporal separation have subsequently been labelled as differentiation strategies, and synthesis as an integrating strategy. The use of differentiating and integrating strategies has been demonstrated in studies looking at strategic innovation (Tse, 2013), exploration and exploitation (e.g. Papachroni, Heracleous and Paroutis, 2016; Smith, 2014; Smith and Tushman, 2005; Tushman, Smith and Binns, 2011), strategic agility (Lewis, Andriopoulos and Smith, 2014), retrenchment and recovery (Schmitt and Raisch, 2013), sustainability (e.g. Hahn et al., 2015), and governance (Sundaramurthy and Lewis, 2003), among others. When organisations engage in virtuous circles, paradox is likely to be resolved via *"iterating responses of splitting and integrating"* enabling learning and creativity, and fostering flexibility, resilience and effectiveness (Smith and Lewis, 2011:389). Table 2 provides an overview of general strategic responses to paradox.

Table 2: Strategic responses to paradox

Types of response	Responses
Accepting and embracing	• Negotiate a workable certainty • Use of humour • Use of communication and rhetoric • Proactively seek and value tensions as a source of value
Differentiating and integrating strategies (both structural and contextual)	**Examples of differentiating strategies:** • Structurally split exploitation and exploration units holding them to different standards (spatial differentiation) • Temporally split both poles of the paradox sequentially and iteratively (e.g. address first exploitation and then exploration) • Allocate domain-specific roles in the TMT and beyond • Encourage discussions between domain-specific roles to raise novel distinctions • Allow/encourage senior leaders to seek independent information about other domains **Examples of integrating strategies:** • Define and communicate an "overarching identity", a "both–and" vision • Stress overarching goals that require the contribution of both sides of a tension • Allocate integrative roles across business units • Promote TMT behavioural integration and complexity (i.e. either leader-centric or team-centric) • Encourage joint problem-solving of tensions
Paradoxes as constitutive and processual	Paradoxes are handled, produced, transformed, obscured and reproduced by both purposeful and unplanned/unconscious everyday practice and relationships. Suggested responses to paradox include: • "Either–and" responses (as opposed to "both–and"), recognising that both trade-off and synergy are constitutive of paradox • Moving forward • Reflexivity and awareness (i.e. both discursive consciousness and recognition of actions/interactions that generate tension) • Understanding of situational triggers Responses to paradox are contingent on the distribution of systemic power and mode of sense-making. Four responses are proposed: • Paradoxical management • Dialectics (conflict and transformation) • Assimilation • Mutual adjustment

Source: compiled by the author from: Hargrave and Van de Ven (2016); Hatch and Erhlich (1993); Jarzabkowski and Sillince (2007); Lewis, Andriopoulos and Smith (2014); Lüscher and Lewis (2008); Putnam, Fairhurst and Banghart (2016); Schad et al. (2016); Smith (2014); Smith and Lewis (2011); Tushman, Smith and Binns (2011).

The most researched paradoxical tension by far is that of exploitation–exploration. Following the early writings of March (1991), Tushman and O'Reilly (1996) formulated the concept of ambidexterity to depict the ability to both exploit existing product markets and capabilities as well as explore new opportunities, products and ways of doing business. It is a paradox because the ability to exploit both facilitates and hinders the ability to explore, and vice versa (Piao and Zajac, 2016). Ambidexterity scholars have benefited from the parallel resurgence and development of paradox theory which became a means of proposing adequate responses to the exploitation–exploration paradox. Two main approaches can be distinguished in the literature. The first proposes that contextual ambidexterity, rooted in each individual purposeful action, should be developed as a meta-capability, which is of key assistance to leaders in managing and transcending "tensions, balances and equilibriums" in complex business environments (Gibson and Birkinshaw, 2004). Leaders should create a culture that allows individuals to focus on both exploiting and exploring activities within the same unit (Gibson and Birkinshaw, 2004; Heracleous and Wirtz, 2014; Mom, Van Den Bosch and Volberda, 2009).

The second approach, structural ambidexterity, can be subdivided into the two responses of spatial and temporal splitting. Spatial splitting allocates exploitation and exploration demands to different units within the company, to hold them to different standards and to reap the benefits of specialism and focus. Units devoted to exploitation are generally larger, more centralised, have well-defined processes and are more disciplined than units that concentrate on exploration, which are typically of smaller size, and enjoy greater flexibility and decentralisation (e.g. Benner and Tushman, 2003; Christensen, 1998; Gilbert, 2005). Temporal splitting requires each demand to be addressed sequentially or iteratively in turn (Gibson and Birkinshaw, 2004; Tse, 2013). The integration of exploitation–exploration demands occurs at the top via the CEO or the top management team (TMT), bringing together structural and contextual approaches to exploitation–exploration tensions (e.g. Carmeli and Halevi, 2009; Gilbert, 2006; Jansen et al., 2009; O'Reilly and Tushman, 2008; Tushman, Smith and Binns, 2011). Smith and Tushman (2005) and Tushman, Smith and Binns (2011) have proposed paradoxical cognition as a means of enabling the integration of paradoxical demands in TMTs through leadership-centric or team-centric models. For example, at Analog Devices the CEO acted as a central hub for the other executives ("hub and spoke" model), whereas in Cray Computers decisions were made collectively on how to trade off between past and present ("ring team" model) (Tushman, Smith and Binns, 2011). Such models of TMT functioning allow tensions to be "held at the top" and to be integrated, instead of pushed down to lower levels, often jeopardising innovation efforts (Tushman, Smith and Binns, 2011). Across the 12 top teams examined, those leaders who were able to develop an overarching identity (i.e. normally expressed as mission statements), hold tensions at the top between old and new, and embrace inconsistency were successful at managing innovation while maintaining the core business (Tushman, Smith and Binns, 2011). Similar findings by O'Reilly and Tushman (2008) showed that structural ambidexterity and senior team cognitive and behavioural flexibility are critical in managing exploration and exploitation effectively. Carmeli and Halevi (2009) found that top team behavioural integration and complexity were critical ingredients in succeeding at integrating exploration and exploitation in a synergistic, sustainable manner. Jansen et al. (2009) found that TMT social integration and cross-functional interfaces play a fundamental role in the integration of exploration and exploitation demands split into different organisational units. Lubatkin et al. (2006) found TMT behavioural integration to be associated with greater organisational ambidexterity in small and medium-sized enterprises, and found that CEOs are uniquely positioned to foster such integration.

Smith (2014) examined differentiating and integrating practices in three TMTs pursuing exploitation and exploration simultaneously. Differentiating practices included creating domain-specific senior leadership roles (i.e. allocating exploration and exploitation to different senior roles, facilitating focus and commitment on one agenda), discussions among senior executives to compare domains and raise novel distinctions, and individual executives seeking independent information about each domain (using varied means such as small-group discussions with lower-level managers or offsite conferences). Integrative practices included the allocation of integrative roles (i.e. general managers with a responsibility for the overarching business plan), placing emphasis on overarching goals that depend on a contribution by both existing and new products, and an encouragement of joint problem-solving of exploration–exploitation issues by allocating formal meeting time to address overarching topics (Smith, 2014). Interestingly, these practices were employed regardless of whether the tensions were paradoxical or "either–or" dilemmas (Smith, 2014). Lewis, Andriopoulos and Smith (2014) identify five paradoxical leadership practices that enhance a company's strategic agility. Paradoxical leadership values paradoxical tensions as critical for high performance, identifies and raises tensions proactively and purposefully, avoids the traps of anxiety and defensiveness, consistently communicates a "both–and" vision and separates efforts in order to focus on both sides of a paradox (Lewis, Andriopoulos and Smith, 2014).

Schmitt and Raisch (2013) provide insights on how to manage complementarities of learning, organising and performing, which stem from retrenchment–recovery tensions inherent in organisational turnarounds. Managing learning complementarities includes employing both focus and experimentation strategies; organising complementarities require both formalisation and participation; and performing complementarities require a combination of profit and breakthrough strategies (Schmitt and Raisch, 2013).

Other researchers look at paradox in terms of corporate sustainability and the tensions between complex economic, environmental and social issues (Hahn et al., 2014; Hahn et al., 2015). Hahn et al. (2014) theorised about the usefulness of managerial paradoxical frames for addressing sustainability tensions in comparison with "business frames". Hahn et al. (2015) further elaborated on accepting, differentiating and integrating strategies to handle corporate sustainability tensions such as corporate short-term and long-term orientations, personal versus organisational sustainability agendas, isomorphism versus structural and technological change, and efficiency versus resilience of socio-economic systems.

Paradoxical logic has also been applied to the tension of control–collaboration often present in corporate boards. Sundaramurthy and Lewis (2003) proposed "self-correcting cycles" encompassing both differentiating and integrating practices. On the one hand, boards should embrace trust and conflict as sources of value, by building a strong, trustworthy and respectful chairperson–CEO relationship and, more generally, board–management relations, encouraging cognitive conflict in the boardroom. On the other hand, self-correcting cycles involving a promotion of diversity and shared understanding are also proposed. The required ability for a board to embrace diversity of perspectives (which facilitates cognitive conflict), while being able to find common understanding by establishing cooperative strategic decision-making and improved informal and formal interactions, is critical in allowing control and collaboration to co-exist in a fruitful manner (Sundaramurthy and Lewis, 2003).

Most approaches to paradox seem to imply that responses can be pre-designed once the paradox has been identified and accepted. Leaders appear to be able to engineer appropriate responses (i.e. by cleverly designing differentiating and integrating mechanisms) to discrete paradoxes and tensions, in order to at least temporarily resolve the paradox.

2.2.4.3 Responses to paradox: the constitutive and process approaches

A third approach to paradox argues that paradoxes are not solvable (Clegg, Cunha and Cunha, 2002), and a contradiction is observed between the definition of paradox as "persisting over time" (Smith and Lewis, 2011) and approaches that seek to resolve paradox (Cunha and Clegg, forthcoming). Instead, these scholars argue that paradoxes cannot be wished away by management; they can only be sustained (Clegg, Cunha and Cunha, 2002). For example, to bridge the paradox of formal planning and emergent, situated action, improvisation can be used to allow *"pre-existing plans and resources to adapt to changing circumstances"* (p. 491). But, while the practice of improvisation (i.e. synthesis) brings both poles closer together, it replaces neither: that is, it *"does not create a new entity replacing and incorporating the two opposites that ground it"* (p. 495). This relational synthesis is situated, not designed, and therefore cannot be forecast or preconceived but rather emerges through action (Clegg, Cunha and Cunha, 2002). In the example of the paradox of planning and action, the structuring pole (action) is enacted locally as individuals are confronted with novel and unpredictable situations that require deviations from the structural pole (planning), changing it through practice (Clegg, Cunha and Cunha, 2002). Approaching paradox as *"making explicit choices in response to individual issues"* (Smith, 2014:1,616) and as "solvable" denies its persistent and processual nature (Cunha and Clegg, forthcoming).

This approach contrasts with those that, although recognising that paradox can only be temporarily solved (e.g. Smith and Lewis, 2011), propose responses that imply a more permanent resolution, and suggest that responses to paradox can be designed *a priori* once the paradox is recognised and accepted. Such approaches reject trade-off and embrace synthesis as a means of coping with paradox (Cunha and Clegg, forthcoming). However, as Li (2016) notes, trade-off and synergy are both present in paradox. As such, an "either–

and” instead of a “both–and” logic is required (Cunha and Clegg, forthcoming). The “either” represents the presence of tension and trade-off and the “and” captures complementarity and synergy, both co-existing in a state of relationality (Li, 2016; Clegg, Cunha and Cunha, 2002). Balancing the poles of a paradox thus requires partial trade-offs and partial synthesis (Cunha and Clegg, forthcoming). This approach to paradox defends paradox as unsolvable, permanent or recursive and as something that emerges and re-emerges as individuals make sense and (re)engage with the organisational totality (Benson, 1977; Cunha and Clegg, forthcoming). In many ways, paradoxes are handled, produced, transformed, obscured and reproduced by both purposeful and unplanned/unconscious everyday practice through time.

Recently, a number of scholars have begun to recognise the limitations and rigidity of previous approaches to paradox and tension, and have proposed constitutive and processual approaches (e.g. Putnam, Fairhurst and Banghart, 2016; Schad et al., 2016; Hargrave and Van de Ven, 2016). In a review of published articles on contradictions, dialectics and paradoxes between 1975 and 2015, Putnam, Fairhurst and Banghart (2016) found that most research on paradox to date tended to pay substantial attention to large systems and individual cognition as the locus of paradox, but very little to *“discourses, social interaction processes, practices, and ongoing organisational activities”* (p. 67). Moving beyond Hegelian dialectics (Hegel, 1807/1977), they propose a constitutive approach characterised by: a recognition of paradox as emerging through the use of language in oral and written discourse; the recognition that tensions emerge, evolve and transform across time and space in dynamic organisational processes; the idea that socio-historical conditions must be considered in understanding the formation and transformation of tensions as well as associated responses; the recognition that multiple tensions co-exist across multiple levels, emerge from multiple sources and are handled in multiple ways (the presence of multiples); and, finally, the recognition that every response to tension is rooted in praxis, where individuals *"make choices about engaging and responding to them as well as how to move forward amid complex circumstances"* (Putnam, Fairhurst and Banghart, 2016: 80). Such an approach to paradox requires responses that emphasise moving forward, reflexivity and awareness (i.e. both discursive consciousness and recognition of actions/interactions that generate tension) as well as an understanding of situational triggers (Putnam, Fairhurst and Banghart, 2016). Schad et al. (2016) undertook a review of paradox research in management science, finding that extant literature has been focusing too much on types of paradoxes and collective approaches and outcomes (i.e. organisational, group) at the expense of focusing on relationships between types of paradox, individual approaches and dynamics. They reinforce a view of paradox as rooted in praxis evolving through time and space, and indicate the strategy-as-practice literature as an exemplar of the use of combined insights of dialectical and structuration theories that bring together *"both strategy and strategizing within an iterative, discursive process"* (Schad et al., 2016:46).

In keeping with this line of research, Hargrave and Van de Ven (2016) integrate Hegelian dialectics and the paradox perspective to propose a typology and process model of responses to paradox, contingent on the distribution of systemic power and sense-making approaches. When the sense-making mode accepts paradox and the distribution of power is stable and symmetrical, *paradoxical management* focused on synergy is most effective. When paradox is accepted but power distribution is unstable and/or asymmetrical, effective responses take the form of *assimilation*, which refers to the incorporation of practices and arrangements of the subordinate element into the dominant element (Hargrave and Van de Ven, 2016). Conversely, if sense-making is adversarial, and the distribution of systemic power is stable and symmetrical, *mutual adjustment* responses are likely to be the most effective and *"involve a range of negotiating tactics including bargaining, partisan discussion, compensation and reciprocity"* (Lindblom, 1963, cited in Hargrave and Van de Ven, 2016:13). Finally, when sense-making is adversarial and power is unstable and/or asymmetrical, effective responses take the form of *dialectics* through conflict and transformation, where a new entity is created that allows moving forward while maintaining the tension that engendered it (Hargrave and Van de Ven, 2016).

This emergent stream of paradox literature is so far predominately theoretical and to date lacks empirical investigation to support, augment or transform the proposed models.

2.2.4.4 Summary of paradox and tension literature

In the preceding sections the literature on paradox and tension has been reviewed and discussed. The nature and types of paradox, the different approaches to the handling of paradoxes and associated responses have been examined. In the next section, this review will extend to corporate governance literature, particularly boards of directors and the roles of CEO and chairperson.

2.3 Corporate governance: board roles, and chairperson and CEO role behaviour

This section of the literature review focuses on corporate governance, particularly the roles played by the board of directors. It then provides an overview of boards of directors in the context of listed companies in the UK, which includes typical structure, composition and dynamics. The review then moves to consider research on the roles of

CEO and chairperson of the board, emphasising role demands and incumbents' behaviour, as well as both the tensions and complexities typical of each role, and the relationship between them.

2.3.1 Board roles: an overview

The contemporary board's role as a critical external governance mechanism was established by the work of Berle and Means (1932) which epitomised the separation between ownership and control. This early approach, known as "managerialism", highlighted the fact that the increased dispersion of ownership in American corporations was leaving *de facto* control of corporate affairs in the hands of an emerging powerful elite of top managers. These findings raised concerns about managerial entrenchment and all forms of power abuse from managers, which could engage in self-serving behaviour if not properly and closely monitored (Morck, Shleifer and Vishny, 1988; Shleifer and Vishny, 1997). This view of human nature as self-serving and individualistic led to a determination to align managers' and shareholders' interests and gave rise to the formulation of different classes of agency costs (La Porta et al., 2001; Jensen and Meckling, 1976; Jensen, 1993). In turn, this led to the corresponding development of agency theory (Fama and Jensen, 1983), prescribing a number of remedies in the form of internal and external controls (La Porta et al., 1997), of which the board of directors is seen as a critical one. During this time, alternative and quite opposing conceptualisations of the board's role emerged. Prime among these is stewardship theory (Donaldson, 1990; Lorsch and MacIver, 1989; Mace, 1971), which views managers as good stewards of the corporation who require not control, monitoring and disciplining from the board of directors, but rather collaboration and support (Donaldson and Davis, 1991). Boards and managers are thus equal and joint stewards of the corporation whose interests are naturally aligned (Davis, Schrooman and Donaldson, 1997).

Both theories, over time, were adopted differently in different countries, giving rise to a variety of prescriptions in terms of the best way to design boards with regard to structure, roles and composition, as a means of furthering the corporation's success. For example, Continental European countries such as Germany have adopted governance structures closer to stewardship and, more generally, stakeholder theories of the board (Donaldson, 1990; Donaldson and Preston, 1995; Freeman, 1984) by establishing two-tier boards. In contrast, Anglo-Saxon countries such as the US and the UK have adopted a one-tier board in line with agency prescriptions (Finkelstein and Mooney, 2003).

While there are suggestions that the prevalent Anglo-Saxon style of globalisation has given the edge to agency principles in practice (Clarke, 2010), the theoretical debate about the superiority of agency or stewardship theory has never been resolved (Albanese, Dacin and Harris, 1997). The tensions between these theories are more widely referred to as the debate between shareholder and stakeholder governance models (Letza, Sun and Kirkbride, 2004). Some attempts have been made to reconcile the two positions. For example, Albanese, Dacin and Harris (1997:610) put forward the idea that board directors act as both agents and stewards according to circumstances and over time. They call for the use of *"a theory that focuses more upon the task performed than the relationship established at the time of hire"*, so as to accommodate and allow the co-existence of both principle–agent and principle–steward relationships.

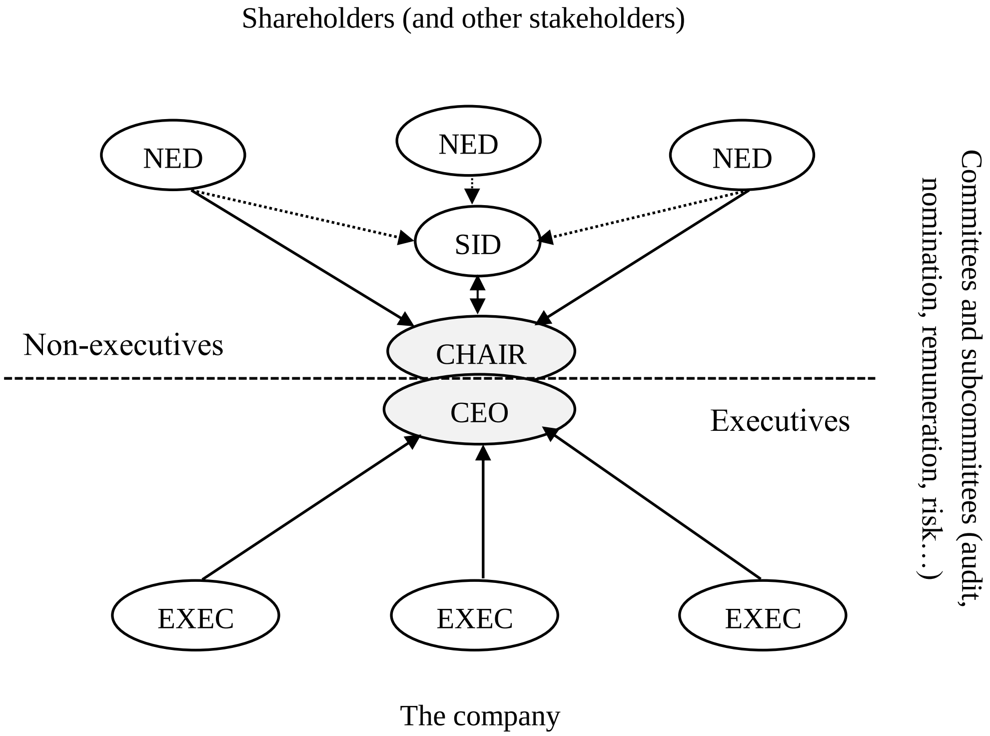
Such an attempt was undertaken on a theoretical basis by Sundaramurthy and Lewis (2003), who elaborated on paradox theory to provide a framework that highlights the need of boards to be both monitors and stewards of the corporation. According to this model, excessive emphasis on either control or collaboration would ultimately result in vicious circles leading to poor performance and ultimately corporate failure. It proposes that boards engage in self-correcting cycles enabling the shift between control and collaboration as required.

Other theories of the board have developed, such as the resource-dependence theory, which portrays boards as boundary spanners and resource providers, including legitimacy (Pfeffer, 1972; Pfeffer and Salancik, 1978). The board provides important links, networks and resources, and maintain relationships with other critical stakeholders. In addition, under this theory, the board brings an external perspective along with critical skills and experience that facilitate their monitoring of the executive (Pfeffer, 1992; Pfeffer and Salancik, 1979; Hillman, Cannella and Paetzold, 2000). While agency and stewardship theories have always been presented as being opposed to one another, interesting work on the integration of agency and resource provision theories has developed which considers the roles to be compatible and complementary (Dalziel, Gentry and Bowerman, 2011; Hillman and Dalziel, 2003; Pugliese, Minichilli and Zattoni, 2014). Other less popular theories see boards as institutions (DiMaggio and Powell, 1983; Meyer and Rowan, 1977) or teams (Blair and Stout, 2001; Kaufman and Englander, 2005), each emphasising different aspects of the board's role. Despite the fact that all these theories have made useful contributions to the study of boards and board directors' work, it is agency, stewardship and resource-dependence theories that have largely determined the majority of the developments in theory and practice.

2.3.2 UK boards: an overview of theory and practice

In the UK, the development of corporate governance has historically been rooted in agency theory principles. From its inception (Cadbury Committee Report, 1992) the requirement for independence between the board and the management has been a key aspect of the UK governance regime which has driven the board's role, composition and structure, including also the constellation of individual director roles and expectations of behaviour. The quest for independence of the board from the executive as a critical component of effective monitoring and control led to successive regulatory changes, which resulted in: a greater, even dominating, proportion of external, independent non-executive directors in relation to executives; the separation of CEO and chairperson positions; an increased use of committees staffed by external, independent non-executive directors; and other measures. As a response to the Robert Maxwell case and Blue Arrow affair in the early 1990s, the Cadbury Report (1992) set the stage for good governance principles on a "comply or explain" basis; and from then on successive regulatory innovations emerged. The Greenbury Report (Greenbury Committee, 1995) tackled concerns about directors' remuneration practices and disclosure. The Hampel Committee was subsequently set up to re-examine Cadbury and Greenbury recommendations on corporate governance and the extent to which they were being implemented. Together, these three reports ultimately formed the Combined Code of the London Stock Exchange. This was followed by the Turnbull Report in 1999, which provided guidance for listed companies on the disclosure of, and compliance with, internal control policies and regulations. The next set of self-regulatory measures was brought in following the Higgs Report (Higgs, 2003), which built on previous reviews including the Myners (2000) review of the relationship between corporations and institutional investors. In addition to the separation of chairperson and CEO roles, a majority of outsider, independent non-executive board members and the setup of auditing, nomination and remuneration committees staffed by a majority of independent non-executives, the Higgs review brought greater clarity about non-executive and chairperson roles, and introduced the senior independent director (SID) role. Whereas previous reviews observed an inherent tension in non-executive director (NED) work, the Higgs review suggested that the NEDs' responsibilities of *"monitoring executive activity and contributing to the development of strategy*" could co-exist provided that a *"a spirit of partnership and mutual respect"* (Higgs, 2003:27) existed in the unitary board. In addition to contributing to strategy development and monitoring executive performance, NEDs are also expected to satisfy themselves that the appropriate risk framework and controls are in place as well as ensuring that important and sensible people-related arrangements are considered, such as executive remuneration and succession planning. The SID role was introduced as an independent senior NED, to be used as a communication channel for major shareholders who may not be confident about chairperson actions, to act as an intermediary for ineffective chairperson–CEO relations, as well as to replace the chairperson in his/her absence. Figure 2 illustrates the typical structure of a UK unitary board.

Figure 2: Typical structure of a UK unitary board of directors



Source: Developed by the author.

Code provisions continued to develop in the UK, with further reviews to the code occurring in 2005 and 2007. The central feature of the code continued to be a quest for independence and checks and balances, but increasing emphasis began to be placed on how directors carry out their roles, on their conduct, and on investor stewardship (Financial Reporting Council, 2010, 2011, 2012). The 2010 review of the code highlighted the necessity for listed companies to comply with the spirit of the code. Adopting the code as a compliance exercise *"cannot guarantee effective board behaviour because the range of situations in which it is applicable is much too great for it to attempt to mandate behaviour more specifically than it does"* (Financial Reporting Council, 2010:2). That the spirit of the code is observed, and the implications of this for individual board members, is recognised as being dependent on the *"leadership of the chairman of* *a board, the support given to and by the CEO, and the frankness and openness of mind with which issues are discussed and tackled by all directors"* (p. 2). In conjunction with a revision of the code in 2010, the Financial Reporting Council (2011) issued further recommendations on board effectiveness, emphasising and clarifying the responsibilities and contributions of individual roles inside the board (i.e. chairperson, SID, NEDs, executive directors and company secretaries) and providing guidance on effective decision-making processes. These, along with further refinements to the code in 2014 and 2016, affirm the roles of chairperson and CEO as pivotal to the board's effectiveness. The clarification provided by the FRC on board effectiveness also recognises the often tension-generating relationship between the chairperson and the CEO which is pivotal to the effectiveness of the board as a whole, laying down a requirement that the *"chairman and the CEO roles should be set out in writing and agreed by the board"* and *"particular attention [should be] paid to areas of potential overlap"* (Financial Reporting Council, 2011:7).

The progress of regulation – which has gone from a structuralist approach to board governance focusing on independence and compliance to one that emphasises role behaviour – has been paralleled and often informed by research that indicated an insufficiency of structural and compositional considerations. As long ago as the 1970s, Argenti (1976) identified instances of "one-man rule", combined chairman and chief executive roles, a non-participative board, an unbalanced top management team, a lack of management depth and weak financial function as the six principal symptoms of corporate collapse. Subsequent studies have supported some of these aspects. Role duality leads to unfettered CEO power, which combined with lack of monitoring often leads to corporate failure (Daily and Dalton, 1993) or weakened company performance (e.g. Coles, McWilliams and Sen, 2001; Rechner and Dalton, 1991). Others found a positive correlation between role separation and corporate performance (Donaldson and Davies, 1991; Slatter and Lovett, 1999). But other researchers reached contradictory results even when introducing contingency factors. Boyd (1995) found role duality leads to better return on investment (ROI) in companies that are resource-constrained or have higher complexity. Haleblian and Finkelstein (1993) found that role duality was associated with worse performance in firms experiencing turbulent environments.

Similar inconclusive findings were found for board composition measured as the proportion of external independent directors on the board. Many studies in US and UK contexts showed a positive correlation between higher percentages of external independent directors on the board and firm performance (e.g. Dahya and McConnell, 2007; Daily and Dalton, 1993; Pearce and Zahra, 1992), while many others found a negative or no correlation (e.g. Bhagat and Black, 1999, 2002; Daily and Johnson, 1997; Dulewicz and Herbert, 2004). Finkelstein and Mooney (2003) pointed to the fact that large corporates such as Enron, WorldCom, Global Crossing and Qwest Communications largely complied with CEO–chairperson role separation and a dominant percentage of external directors on board (in addition to appropriate considerations of board size and directors' shareholdings), but this did not prevent their collapse.

It is within this context that more attention has begun to be paid to board process and director behaviour, particularly how individual board roles contribute to effective governance (e.g. Kakabadse, Kakabadse and Barratt, 2006; Letendre, 2004; Pettigrew, 1992; Pettigrew and McNulty, 1995; Pye and Pettigrew, 2005; Roberts, McNulty and Stiles, 2005; Van Ees, Gabrielsson and Huse, 2009). The roles that have the highest power and influence in the boardroom and which are likely to be of consequence for governance outcomes are those of the chairperson of the board and the CEO (e.g. Kakabadse and Kakabadse, 2007a,b, 2008; Leblanc and Gillies, 2005; Roberts, 2002). The next sections discuss key studies on chairperson and CEO roles as well as studies looking at their interplay.

2.3.3 Chairperson and CEO roles

In order for the board to effectively fulfil its duties of control and monitoring, stewardship and resource provision, a number of distinctive roles have been developed for individual directors. *Normative role descriptions*, enshrined in the governance codes discussed in the preceding section, set out the responsibilities, demands and behaviours that are generally expected from each role incumbent, forming the consensual view of effective role fulfilment. Yet how these roles are enacted in practice varies greatly from board to board, subject to individual differences and relationships, as well as the (often changing) context and circumstances facing role incumbents. The following sections provide a discussion of the two most influential roles in the boardroom: chairperson and CEO. The discussion locates the roles inside the board and stresses the demands, constraints, supports, tensions and complexities facing them, as well as the interaction between them.

2.3.3.1 The chairperson role

The chairperson role is often seen as a non-executive one, charged with leading the board of directors in the pursuit of their legal and regulatory duties. This, however, varies according to the country and corresponding regulatory environment. In the US Standard & Poor's 500, for example, chairperson and CEO roles are held separate in 46% of companies, but only 28% of chairpersons are truly independent (Spencer Stuart, 2014), whereas in the UK role separation has been embraced by about 96.4% of FTSE 350 companies (Grant Thornton, 2014).

In the UK, the old adage that a board is only as good as its next chairperson is in fact increasingly true, since the role has become greater in respect to both time and responsibility (Boyden, 2014). In fact, the "return of the chairperson" has been heralded for quite some time now (Kakabadse and Kakabadse, 2007a).

The UK Corporate Governance Code (Financial Reporting Council, 2016) stresses the importance of the chairperson leading the board of directors effectively by ensuring that agenda items reflect the totality of NED concerns, that time allocated to discussion is sufficient, and that management proposals are aired openly and met with sufficient and constructive challenge. It is also the chairperson's duty to ensure that NEDs receive adequate, independent and timely information both from internal and external sources, that they sufficiently engaged with the business, and that board members' induction, evaluation and development is carried out effectively.

A number of leadership studies have been developed to determine what exactly constitutes the chairperson's role and what are the required leadership traits and competencies to carry it out effectively (Kakabadse et al., 2001; Kakabadse and Kakabadse, 2008; Roberts, 2002). Some studies assert that effective boardroom dynamics can be achieved through chairpersons' social and political skills in managing often sensitive relationships and individual egos, and by their being able to mitigate and avoid interpersonal collision in a complex and subtle way (Kakabadse et al., 2001). Ultimately, the chairperson's job is to manage processes of accountability (Robert, 2002; Roberts, McNulty, and Stiles, 2005), described as *"a processes of learning, which acknowledges the inevitable incompleteness of individual thought, and through which strategy emerges as the synergistic outcome of board discussion"* (Robert, 2002:515). The chairperson needs to create "positive dynamics of accountability" by supporting a culture of challenge and support, setting the behavioural standards expected and managing the agenda and information flows in ways that facilitate NED involvement and contribution while retaining independence of mind. Hence, the chairperson plays an important role in ensuring quality of debate so that *"the interplay of different skills and perspectives amongst different members of the board can itself produce new perspectives that offer creative solutions to particular dilemmas"* (Roberts, McNulty and Stiles, 2005:S16).

Recognising the importance of board leadership, Kakabadse et al. (2001) conducted one of the first in-depth interview studies of UK FTSE 100 company directors. It was found that the high-performing chairperson exhibited maturity, relational skills, high political and social competence, meeting skills and coaching capabilities, all of use in managing boardroom dynamics, with boardroom politics and social dimensions being key. Leblanc and Gillies (2005) go as far as to view the leadership qualities of the chair (and its relationship with the CEO) as the single most important factor impacting board effectiveness. It has been proposed that the three most important tasks of the chairperson are i) assessment of, and relationship with, the CEO; ii) preventing board denial; and iii) dealing with non-performing directors (Leblanc and Gillies, 2005).

An in-depth study conducted by Dulewicz, Gay and Taylor (2007) as a part of the 2006 UK Non-Executive of the Year Awards indicated that the outstanding chairperson exhibits high ethical standards; provides a lead on corporate governance matters; promotes investor confidence; mentors, develops and advises colleagues; is a team builder; is empathetic and effectively encourages contributions; achieves consensus; challenges and probes executives; and displays highly developed critical thinking (Dulewicz, Gay and Taylor, 2007). Out of 13 top-rated high-level behavioural dimensions of the outstanding chair, "encourages contributions and achieves consensus" was rated only 9th with a score of 31%. This dimension includes aspects such as "ability to reconcile differences, reconcile parties to a common cause and negotiate final decisions", "skilled at getting executives and non-executives to agree", "ensures executives and non-executives can air their views", "encourages debate and challenge, facilitates discussions and always moves to an agreed, clear decision" and manages shareholders' and management's opposing views by "re-focusing the company with a new vision and get both parties to agree to a common strategy without either losing face" (Dulewicz, Gay and Taylor, 2007:1,061). The paper shows that the chair plays an essential role in reconciling conflicting agendas. Acknowledging and valuing differences, yet finding underlying complementarities, common views and causes, is at the heart of chairperson leadership as well as boardroom effectiveness (e.g. Dulewicz, Gay and Taylor, 2007; Kakabadse and Kakabadse, 2007b; Kakabadse, Kakabadse and Knyght, 2010; Roberts, 2002). Still elusive, however, is an insight into how the chairperson perceives emerging tensions and how exactly differences and common causes surface and are identified.

More recent studies, such as the one by Kakabadse and Kakabadse (2008), identify six disciplines that a world-class chairperson needs to master in order to lead for boardroom effectiveness: i) delineating boundaries (between chairperson and CEO roles, distinct from board and management roles); ii) sense-making (concerning the mission, vision and values in the boardroom and the organisation); iii) interrogating the argument (questioning policy and strategy); iv) influencing outcomes; v) living the values (based on trust and integrity and paying attention to the imbalances between espoused values and practised values); and vi) developing the board (which includes board evaluation, selection, development, coaching, etc.) (Kakabadse and Kakabadse, 2008). Yet chairpersons' leadership behaviours and styles vary according to board and corporate context. For example, Levrau and Van den Berghe (2013) interviewed company secretaries from 39 large companies in the BEL 20 and BEL MID (33 of which had separate chairperson and CEO roles) and found that chairpersons exhibited highly heterogeneous leadership styles which impacted on the quality of the decisions made and on the group's commitment to those decisions. It is argued that the chairperson should be able to transform the boardroom into an effective collective decision-making body, by removing "negative group dynamics" (Levrau and Van den Berghe, 2013). This requires a chairperson to have particular specific personal competencies and attributes that go beyond the structural aspects of board leadership, and which include creativity, criticality, preparedness and commitment (Levrau and Van den Berghe, 2013).

Table 3 attempts to summarise the most significant research findings on the role, skills and capabilities of the board chairperson.

Table 3: Key studies on the chairperson role and skill set (2001–2013)

Study methodology	Key findings	Author(s)
95 (35 in-depth, semi-structured interviews and three focus group of 20 NEDs/ chairpersons/CEOs) – FTSE 100, UK	Capabilities/qualities: • Maturity • Relational skills • High political and social competence • Meeting skills • Coaching capabilities • Managing boardroom dynamics	Kakabadse et al. (2001)
35 interviews with chairpersons, CEOs and NEDs, UK	• Without ambition for executive power • Complementary to CEO (i.e. supporting role of executive) in: skills, experience, knowledge, temperament, business focus and values • Chairing meetings (e.g. focusing, stimulating discussion, openness, trust) • Replacing CEO	Roberts (2002)
40 in-depth interviews, UK (commissioned for the Higgs Report)	Create "positive dynamics of accountability" by: • Encouraging a culture of challenge and support • Setting the behavioural standards expected • Managing the agenda and information flows • Facilitating NED involvement and contribution while retaining independence of mind	Robert, McNulty and Stiles (2005)
39 boards observed and 194 directors interviewed over a period of 5 years, Canada and US	Three main chairperson competencies: • Assessment of, and relationship with the CEO • Preventing board denial • Dealing with non-performing directors	Leblanc and Gillies (2005)
Survey of UK board members for 2006 UK NED of the Year Awards	Skills and competencies of the outstanding chairperson: • Exhibits high ethical standards • Provides a lead on corporate governance matters • Promotes investor confidence • Mentors, develops and advises colleagues • Team builder, empathetic, effectively encouraging contributions • Achieves consensus, challenges and probes executives and displays highly developed critical thinking	Dulewicz, Gay and Taylor (2007)
900 interviews with board members worldwide	Six discipline of chairperson: • Setting boundaries • Sense-making • Interrogating the argument • Influencing outcomes • Lives the values • Developing the board	Kakabadse and Kakabadse (2008)
Interviews with Company Secretaries from 39 large companies of the BEL20 and BEL mid (Belgium)	Transform the boardroom into an effective collective decision-making body, by removing "negative group dynamics". Skills/capabilities: • Creativity • Criticality • Preparedness • Commitment	Levrau and van den Berghe (2013)

Source: Compiled by the author.

There is a growing stream of literature focusing on the chairperson's role, skills and contribution (Dulewicz, Gay and Taylor, 2007; Kakabadse and Kakabadse, 2008; Levrau and van den Berghe, 2013), and the relationship between the chair and CEO (Kakabadse, Kakabadse and Barratt, 2006; Kakabadse, Kakabadse and Knyght, 2010; Roberts, 2002) as central to board effectiveness. This literature converges on the idea that the chairperson is a "bridge", playing a role in balancing different interests, skills and perspectives inside and around the boardroom: the crucial person who is charged with transforming the board into an *effective collective decision-making group* (Levrau and Van den Berghe, 2013). Tensions are likely to emerge from the confrontation of these different interests, skills and perspectives, but how the chairperson handles them remains elusive.

2.3.3.2 CEO role

Traditional approaches to managerial roles have emphasised rationality, predictability and control (Fayol, 1949), but subsequent research began to uncover their multifaceted, complex, relational and idiosyncratic nature (e.g. Hales, 1986; Kotter, 1982; Luthans, Rosenkrantz and Hennessey, 1985; Mintzberg, 1971; Stewart, 1967, 1976, 1982). Among these early studies, Mintzberg's (1971, 1973) structured observational study of CEO roles over time resulted in the identification of ten distinct roles that CEOs play. These roles were grouped according their nature: interpersonal, informational and decisional. Interpersonal roles include those of figurehead, liaison and leader. The figurehead role depicted the CEO as the "legal authority" and as a "symbol" which requires role incumbents to perform a variety of ceremonial activities such as signing legal documents and representing the firm on official occasions. The liaison role highlights a CEO's networking activity, securing favour and resources from external and internal contacts. Finally, as a leader, the CEO is seen to be engaging in a variety of staffing and motivation activities which are typical for most CEOs. The informational role includes the CEO acting as a "nerve centre" – an informational generalist where all the available information converges, placing the role incumbent in a unique position to gain a superior understanding of the total organisation (Mintzberg, 1971, 1973). The informational role also includes the CEO acting as a disseminator and spokesperson. In such a capacity, CEOs disseminate important information to their subordinates about relevant external events and demands, as well as conveying the "organisational position" to important and influential external parties. A final cluster of roles – decisional roles – include an entrepreneurial one, a role as disturbance handler and one as resource allocator. The entrepreneurial role sees the CEO as the initiator of changes in the organisation according to his/her perception of threats and opportunities. Closely related, as a "disturbance handler" the CEO supports the organisation in coping with new stimuli that "disturb" existing routines by introducing small improvements or structural change (Mintzberg, 1971, 1973). Through their resource-allocator role CEOs control the efficient and effective use of resources, including their own time, and they do this via organisational structure design and the approval of significant decisions (Mintzberg, 1971, 1973). In this early work Mintzberg also identified contingency factors (i.e. environmental, organisational, situational and individual) that could influence CEOs' behaviour (Mintzberg, 1973). CEOs play all ten roles simultaneously, which form an integrated whole (Mintzberg, 1975). Subsequent work placed the task of strategy formulation and implementation almost as a core defining task of the CEO, around which interpersonal, informational and decisional roles were performed (e.g. Mintzberg, 1989). Tsui (1984) proposed a greater integration of Mintzberg's roles, reducing them to six: leader, spokesperson, resource allocator, entrepreneur, environmental monitor and liaison. More recently, Tengblad's (2006) study of Swedish CEOs confirmed that – apart from his findings that CEOs prefer brevity and interruption and that managerial work is fragmented – Mintzberg's propositions are fundamentally still valid. But Mintzberg's work has been criticised for being too prescriptive, and not really accounting for the unique ways role incumbents can interpret the role given particular contextual demands and constraints (Stewart, 1982). Others found that the proposed roles were hardly distinguishable when observing discrete managerial activities (McCall and Segrist, 1980; Kurke and Aldrich, 1983). Importantly, Mintzberg produced a list of roles rather than a general theory of role-making that could have allowed a common frame with which to view managerial roles in different contexts.

Kotter (1982) identified two general problems which, taken together, define the critical roles a CEO must play. The first problem is to determine a course of action for the organisation in face of uncertainty, diversity and potentially relevant available information; the second problem is the requirement to ensure that such a course of action is implemented throughout a large and diverse organisation of people over whom the CEO has little direct control (Kotter, 1982). Given these fundamental managerial problems (which could be described as strategy formulation and implementation), the CEO performs three critical roles of agenda-setting, network building (i.e. of a web of cooperative relationships inside and outside the organisation) and one of mobilising such networks to implement the agenda (Kotter, 1982). Other studies around that time provided further evidence that network building was associated with managerial success, but indicated that the role of network builder decreases in importance as the manager ascends to the top, with decisional and informational roles becoming more important (Luthans, Rosenkrantz and Hennessey, 1985). Around this time, scholars (Donaldson and Lorsch, 1983) began to acknowledge the competing demands that top management is exposed to. The work of Jonas, Fry and Srivastva (1990), inspired by the work of Kotter (1982), interviewed 24 CEOs to determine what constituted "the CEO agenda". They found that this agenda included the creation of a "context for change", the "building of commitment and ownership" throughout the organisation to implement change, and the balancing of stability and innovation through "simultaneously embody[ing] the status quo and … question[ing] it", revealing how the role can grapple with competing and seemingly contradictory demands (Jonas, Fry and Srivastva, 1990:40). The emphasis on competing demands that CEOs have to address was further evidenced by Hart and Quinn (1993). This study proposed four competing roles that CEOs play: dynamic vision setter, motivator, analyser and task master (Hart and Quinn, 1993). Such roles differ from each other with regard to internal/external focus and the level of flexibility/predictability involved, yet CEOs often have to perform them simultaneously. According to Hart and Quinn (1983), this exposes the paradoxical nature of executive leadership work, which requires CEOs to exhibit high levels of behavioural complexity.

In parallel with this early work on the CEO role, a variety of research emerged providing a number of more general role theories capable of explaining general features of managerial roles, role-making and enactment as well as the behavioural variability of role incumbents across contexts (Fondas and Stewart, 1990, 1994; Graen, 1969, 1976; Kahn et al., 1964; Katz and Kahn, 1966; Stewart, 1967, 1976, 1982). A variety of role models were developed placing different emphasis on role incumbents' proactive behaviour in shaping their role in context. Among those models that allow for role incumbents' behavioural choice is the Demands–Constraints–Choices (DCC) model (Stewart, 1982) and the expectations enactment model of managerial role formation (Fondas and Stewart, 1990, 1994). The expectations enactment model views the individual as not merely reacting to expectations, but effectively shaping his/her environment, contributing to a definition of role expectations and behaviour. Individuals proactively and intentionally seek out opportunities to shape expectations, which are adjusted in the course of interaction and negotiated in a continuous manner (Fondas and Stewart, 1994). However, this model focused too much on expectation modification, and did not capture the greater complexity and dynamism of high-discretion roles where choice is a fundamental characteristic (Finkelstein, Hambrick and Cannella, 2009; Hambrick and Finkelstein, 1987; Kakabadse and Kakabadse, 2000). The earlier DCC model (Stewart, 1982) appears less prescriptive, allowing for both expectations modification and choice from the role incumbent. Role incumbents' choices include where to spend time, which activities to prioritise, as well as boundary management activities (Stewart, 1982). Such choices about how to carry out role demands are subject to constraints which may lie within the role incumbent (experience, perception, mind-set, background) or in the environment (physical buildings, significant others' expectations of behaviour, cultural and social norms, institutional pressures) (Stewart, 1982). The space for choice (i.e. the extent to which the role incumbent has freedom to shape his/her role as she/he sees fit) therefore varies according to the formative context within which the role is enacted (Stewart, 1982). The concept of choice in role theory has subsequently emerged in the upper echelons literature under the concept of discretion (i.e. latitude of action) (Hambrick and Finkelstein, 1987) and has led to important research. CEOs' discretion (i.e. the latitude of managerial action) in fulfilling their role varies widely according to internal and external constraints (Crossland and Hambrick, 2011). UK CEOs are among those with the highest discretion, surpassed only by US CEOs (Crossland and Hambrick, 2011). Studies have found a positive correlation between CEO discretion and company performance (Crossland and Hambrick, 2011; Finkelstein and Boyd, 1998). Studies have also investigated the constraints that may impact on CEO discretionary behaviour. These include task environment constraints (i.e. market growth, product differentiation, quasi-legal constraints, etc.), internal organisational constraints (e.g. inertial forces such as organisation size, age, culture, resource availability and powerful inside forces), and managerial characteristics (e.g. level of aspiration, commitment to status quo, cognitive complexity, tolerance for ambiguity) (Finkelstein, Hambrick and Cannella, 2009). Quigley and Hambrick (2012) found that former CEOs who remain on the board as chairperson exert a constraining effect on the new CEO, reducing the newcomer's discretion about his/her strategic choices and the level of strategic change possible to effect.

In addition to the studies around CEO role demands, tensions, constraints, choices and level of discretion, another stream of leadership research has focused on determining the capabilities and skills exhibited by successful CEO role incumbents. For example, Cox and Cooper (1989) interviewed CEOs of 45 large British companies and identified three groups of skills associated with success: i) decision-making and analytical skills (ability to dissect a problem in a logical and scientific way, to focus on key elements of a problem and make tough but necessary decisions); ii) interpersonal skills (communication, ability to establish good relationships and persuasiveness); and iii) leadership skills (vision, projecting the future, and communicating the strategy). These CEOs tended to be assertive and outgoing (Cox and Cooper, 1989). In addition to these CEO characteristics, skills and competencies, Dulewicz and Herbert (1999) identified strategic perspective, interpersonal sensitivity, analysis and judgement, and energy and intuition. Around the same time, Kakabadse and Kakabadse's (1999) large study of executives across 16 countries further identified i) strength to surface sentiments; ii) wisdom to find pathways through paradox; iii) an aptitude for engaging through dialogue; and iv) an ability to persevere, and stay in power. These three studies taken together show an interesting pattern. From viewing the demands faced by the CEO as being resolved in “a logical and scientific way” (Cox and Cooper, 1989), they move to a recognition of the value of judgement and intuition (Dulewicz and Herbert, 1999) and thence to a requirement for wisdom to find pathways through paradox (Kakabadse and Kakabadse, 1999). A more recent study consisted of specialised assessments of over 200 CEOs hired (or maintained) during private equity buyouts or venture capitalist investments (Kaplan, Klebanov and Sorensen, 2012). The study investigated 30 CEO skills/characteristics and matched them against subsequent success in the role. Three characteristics emerged as variables for CEO success: execution capabilities, resoluteness, and over-confidence. These were found to be more important than interpersonal skills such as empathy and communication (Kaplan, Klebanov and Sorensen, 2012).

CEO literature is highly fragmented across a range of theoretical and methodological approaches, sometimes looking at the role as a position (i.e. the structure and content of the role), as a person (i.e. the skills, capabilities and personality traits required by the role), or else focusing on the environmental contingencies affecting how role incumbents make choices (Busenbark et al., 2015).

In the previous two sections, the roles and attributes of chairperson and CEO have been discussed. The next section briefly discusses the interplay and relationship between these two roles.

2.3.4 Chairperson and CEO roles: relationship and interdependence

As discussed in preceding sections, considerations about the duality of the CEO role has failed to provide conclusive evidence of boardroom leadership (Boyd, 1995; Finkelstein and Mooney, 2003; Rechner and Dalton, 1991). Taken together with the general preference of UK regulators for separating the roles of chairperson and CEO, this has led researchers to focus on the quality of the relationship between the two roles (Pye, 2005;

Roberts and Stiles, 1999; Kakabadse, Kakabadse and Barratt, 2006; Kakabadse, Kakabadse and Knyght, 2010).

In regimes with role separation, the centrality of the chairperson–CEO relationship for boardroom effectiveness and the long-term sustainability of the corporation is a conclusion that has perhaps achieved most consensus. This relationship is often described as pivotal and sacred (Kakabadse, Kakabadse and Barratt, 2006; Kakabadse and Kakabadse, 2008; Leblanc and Gillies, 2005; Levrau and Van den Berghe, 2013), or the *"fulcrum around which directing is levered"*, and it is described as being highly contextual in nature (Pye, 2005).

The study of how role arrangements are formed and how they impact each other was first developed by Hodgson, Levinson and Zaleznik (1965) in a pioneering study of three executives' "role constellations". Hodgson and his colleagues referred to a process of "emotional division of labor" and specialisation of function by each role-holder, so that they become complementary and form a balanced "integrated whole" (Hodgson, Levinson and Zaleznik, 1965: xxi). Referring to pairs as a stable and effective "role constellation", Hodgson explained how some pairs were found to specialise in internal demands and external, boundary-spanning activities (Hodgson, Levinson and Zaleznik, 1965). Chitayat's study (1984), which investigated the working relationships between Israeli CEOs and chairmen, found that, while there was a great variation in the relative functions depending on a firm's structure and the incumbent's personality, the role of the chair as consulting and coaching the CEO emerged as the most important.

Stewart's longitudinal study (1991) of 20 relationships between chairmen and their general managers found that the chairperson and CEO roles (when separated) are impacted by organisational structure, personality, and the time that the chairperson devotes to the role. The study identifies and describes five chairperson roles in relation to the CEO: partner; executive; mentor; consultant; and distant (Stewart, 1991). Stewart concluded that the roles of chairpersons and general managers are highly interdependent, and that this mutual dependence is highly contextual in nature (Stewart, 1991). Since these early studies, evidence has emerged to show that the relationship patterns have changed. Pye (2000:344) observes that the relationship between the chairperson and CEO has moved from a "distanced approach" to one that is more "interdependent and dynamic", characterised by a sense of "partnership, mutual respect, understanding and trust", where issues are brought to the board only when the chairperson and CEO have previously agreed to do so. Further, the role of the chairperson was often viewed by NEDs interviewed as "potentially major value adders or destroyers" in relation to both NEDs' and CEOs' effectiveness (Pye, 2000:345).

More recent studies indicate that a complementary relationship between the chairperson and CEO provides *"a context in which the CEO can think provisionally in a way that acknowledges the ambiguity and uncertainty that is the ground of decision-making"* (Roberts, 2002:504). *"Building the basis for trust"* between the two roles by enabling open communication of concerns avoids misunderstandings about each other's intentions and requires a *"high level of routine contact between the two"* (Roberts, 2002:502). Pye (2005) has shown that, in the UK context, the time the chairperson devotes to company affairs is irrelevant as a proxy for involvement; the key was the quality of relationship with the CEO, which, if poor, can create *"a lot of bad behavior on both sides (board and management)"* which has implications for relationships with external stakeholders such as investors (Pye, 2005:77). It is argued that this relationship is the building block of boardroom culture, determining how board members behave and contribute, as well as the quality of board–management relationships (Pye, 2005; Roberts, 2002; Roberts and Stiles, 1999).

A further study by Kakabadse, Kakabadse and Barratt (2006) referred to *role delineation* as the critical element, and as such conferred a distinct advantage on UK leadership structure compared to that of the US. Hence, *"tensions between the two could be attributed both to the idiosyncrasies of their personal interaction and also to poorly delineated, peripheral responsibilities"* (Kakabadse, Kakabadse and Barratt, 2006:142). The relationship between chairperson and CEO was seen as comprising two key qualities: having *"personal chemistry"* and an *"ability to interpret information and events in a mutually synergistic manner"* (Kakabadse, Kakabadse and Barratt, 2006:144). Similarly, in a subsequent study based on 900 interviews with board members, these critical qualities have been reconceptualised as *"shared sensemaking"* and *"affective philos"* – two essential preconditions for the effectiveness of a chairperson–CEO relationship (Kakabadse and Kakabadse, 2008).

Studies on the interplay between the chairperson and CEO reveal role-delineation tensions as well as strategic issue-based tensions to be inherent in relationship dynamics, and to have a consequence for board effectiveness and company performance. Yet it remains relatively unexplored how role occupants perceive and handle such tensions, and how they do so within the attendant constraints and opportunities.

The next section brings together the literature on paradox and tensions and literature on governance (particularly chairperson and CEO roles) and identifies the research opportunity that is pursued in this thesis.

2.3.5 Summary of board, chairperson and CEO roles

The previous sections have reviewed relevant literature on board directors and particularly the chairperson and CEO roles and their interaction. The focus has been on studies and evidence primarily derived from the UK corporate governance regime, which is the focus of this study. The review has covered the complexities, competing demands, constraints and tensions that both roles are subjected to, as well as the significance and difficulties of the interaction between chairperson and CEO.

The next section brings together both the literature on paradox and tension, and that of the role behaviour of board directors, chairpersons and CEOs, in order to articulate the research opportunity pursued in this thesis.

2.4 Research opportunity

Recent reviews have highlighted the failure within paradox and tension research to explore individual responses to paradox (e.g. Schad et al., 2016); the review of the literature undertaken in this chapter confirms this shortfall. Of the relatively few studies that have addressed individual approaches, only a small percentage of those investigate how senior leaders such as CEOs perceive and handle tensions (e.g. Denison, Hooijberg and Quinn, 1995; Smith et al., 2012; Fredberg, 2014; Lewis, Andriopoulos and Smith, 2014; Smith, 2014; Smith and Tushman, 2005). Research examining corporate governance from a paradox perspective is even scarcer, with only one theoretical paper having been published some 13 years ago (Sundaramurthy and Lewis, 2003). Board directors' governance deals with a fundamental tension between control and collaboration (Sundaramurthy and Lewis, 2003) between non-executives and executives and between the CEO and chairperson of the board. Research on these roles has highlighted their mutual interdependence (Stewart, 1991; Roberts, 2002) – their relationship may be construed as paradoxical as it includes the co-existence of contradictory yet interdependent behaviours such as control versus collaboration, and support versus challenge (Sundaramurthy and Lewis, 2003). While the two roles are clearly different (each comprises its own set of specific demands, constraints and choices), they are also potentially highly interdependent (Stewart, 1991; Roberts, 2002). I say "potentially", because the degree to which the roles are interdependent and different (or how the separation of roles is arrived at) depends critically on how role incumbents enact their roles, their preferences, working styles, personality, skills, experience and so on (Roberts, 2002). Yet the literature is unanimous that this relationship is critical for board effectiveness and company performance. CEOs and chairpersons, it is asserted, require a shared sense-making, complementary styles (Roberts, 2002) and affective *philos*, along with shared analytical interpretive capacity (Kakabadse, Kakabadse and Knyght, 2010) (or "chemistry"); these underpin their joint ability to integrate disparate views and demands, while simultaneously playing distinct roles as non-executive and executive. Furthermore, literature on the chairperson role consistently highlights the necessity to value differences of contribution, while promoting a common purpose and joint decision-making (e.g. Dulewicz, Gay and Taylor, 2007; Kakabadse and Kakabadse, 2007b; Kakabadse, Kakabadse and Knyght, 2010). Equally, studies on the role of the CEO recognise the persistent presence of competing, even paradoxical, demands (e.g. Donaldson and Lorsch, 1983; Jonas, Fry and Srivastva, 1990; Hart and Quinn, 1993). But how role incumbents actually respond to these competing demands and tensions has been largely ignored by this literature, and research on skills, capabilities and attributes does not always fit well with literature on paradox and tension.

As paradoxes and strategic tensions are likely to become salient in environments of high uncertainty, change and poor performance (Lewis and Smith, 2014; Smith and Lewis, 2011), and, given the strategic, distinctive and interdependent nature of chairperson and CEO roles, it is important to explore their responses. Still poorly understood is how a unique set of constraints, demands and supports for the two roles, as well as their interdependence, shapes responses to fundamental strategic tensions. Do the roles use differentiation and integration tactics to handle tensions, as proposed by paradox theory? Do they make use of reflexivity and dialogue? Is there evidence of paradoxical cognition? Such language is absent from studies of governance, particularly with regard to the boardroom and the chairperson and CEO roles.

The next sections articulate the research question(s) arising from the review of the extant literature, and propose the theoretical framework that underpins this thesis.

2.5 Research questions

The literature review undertaken in this chapter has revealed a research opportunity calling for the exploration of chairpersons' and CEOs' response to strategic tensions. The pivotal question in this research is, therefore:

How do chairpersons and CEOs respond to strategic tensions?

In order to address this fundamental question, four additional sub-questions are considered:

- What are the nature of the business contexts within which tensions are perceived by chairpersons and CEOs?
- What are the demands, constraints, choices and supports available to chairpersons and CEOs in fulfilling their distinct roles?
- What are the nature of the strategic tensions as perceived by chairpersons and CEOs?
- What are the chairpersons' and CEOs' behavioural choices (i.e. the response) in the face of their attendant demands, constraints and supports?

So, in broad terms, this study seeks to explore the nature of the strategic tensions facing UK listed-company chairpersons and CEOs and how they respond to them.

2.6 Theoretical framework: role theory

The precursors of role theory were studies by US and European psychologists and sociologists (e.g. Binet, 1900; Durkheim, 1893; James, 1890), but the most influential contributions and early "role" concepts have been attributed to Mead (1934), Moreno (1934) and Linton (1936); as a result, the language of "roles" was widely diffused from the 1940s onwards (Thomas and Biddle, 1966:3-19).

Role theory often uses a "theatre" analogy, where an actor's behaviour is determined by the constraints and demands presented by a number of contextual and situational elements such as the script, other actors, the director's guidelines, the public, and the actor's own characteristics (Thomas and Biddle, 1966). It posits that *"organizational members accomplish their work through roles"*, which *"are sets of behaviors that persons expect of occupants of a position"* (Graen, 1976:1,201). This reflects two important aspects of role theory. The first is that it places the role as the link between the individual and the wider social world (Linton, 1936; Mead, 1934; Thomas and Biddle, 1966), thus capturing the relations between different levels of analysis. As such, an overarching classification of role-making system determinants (demands and constraints) includes several levels such as i) physical-technological systems (constraints and demands that are imposed by accepted beliefs about those systems); ii) social-cultural systems (legal, ethical and social norms); and iii) person systems (beliefs about the role incumbent) (Graen, 1976).

In effect, constraints on and demands of role behaviour referred to in the literature include personal (i.e. type of personality of role incumbent), social or role set demands (other role incumbents with vested interests in another's role behaviour, including leadership), and situational and organisational constraints (i.e. those arising from what is formally expected and enforced by means of training, reward, etc.) (Graen, 1976).

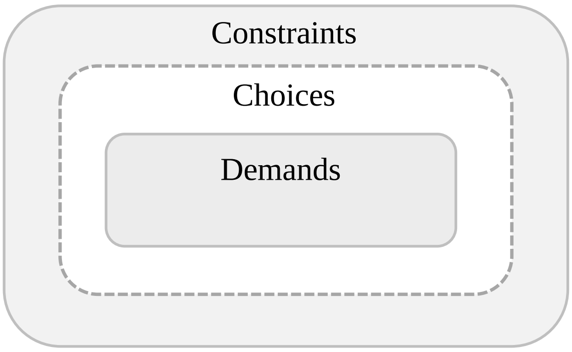
A number of role-based models have been developed. Some, such as the fixed-job model (e.g. Dawis and Lofquist, 1969), view both the role and the incumbent as static and complete, while the interpersonal role model (e.g. Kahn et al., 1964) sees role behaviour as a dynamic contingent of organisational, interpersonal and personality (of leader or member) factors. However, both of these models define the role incumbent as passive. More enlightened models, such as the interdependent role systems models (e.g. Katz and Kahn, 1966), allow the role incumbent to be active in adjusting his/her personal belief systems in relation to those of the organisation. The "theory of instrumentality" (e.g. Graen, 1969) allows the role incumbent (rational) choice about which role model (e.g. leader or interested peers) to follow, according to the perceived relative utility which the incumbent can rationally expect. ("Relative utility" is here defined as the difference between the expected utility derived from following the leader's expectations minus the expected utility derived from following that of peers, plus the rewards and punishments likely to occur as a result of following one and not the other, and the incumbent's preferences.) Along the same line, the "effective performance model" posits that role behaviour is a function of the degree to which the role incumbent believes that a link exists between high role performance and desired payouts, and, conversely, that there is no link between poor performance and high payouts (Graen, 1976). In any case, these two models emphasise the contribution of reward systems in enforcing organisationally desired role behaviour.

Subsequent models of roles have recognised role incumbents' proactivity in both modifying expectations (e.g. Fondas and Stewart, 1990, 1994) and in choosing how to enact their role (i.e. behavioural choices), given the contextual and individual constraints and opportunities presented (Stewart, 1967, 1976, 1982). Among these models, the work of Professor Rosemary Stewart has been recognised as perhaps the least prescriptive framework of role, and has been popular as a basis for studies looking at CEO and chairperson roles as well as their interaction. The Demands–Constraints–Choices (DCC) model of roles is presented next as the chosen theoretical framework for this thesis.

2.6.1 Demands–Constraints–Choices (DCC) model of roles

Role theory has been variously applied in studies of managerial jobs (Haga, Graen and Dansereau, 1974; Stewart, 1967, 1982). Prominent among these is the work of Professor Rosemary Stewart (e.g. Lowe, 2003). Stewart's celebrated Demands–Constraints–-Choices (DCC) model has become established as the main explanatory theory of role, accounting for variabilities in both jobs and role incumbent behaviour (Stewart, 1982). In short, the DCC model posits that managers' available choices or opportunities within the role are dynamically influenced by role demands (i.e. what is expected of any incumbent in terms of task and output in order to stay in the job) and internal and external constraints, which can be personal (e.g. own preferences) or organisational (e.g. reward systems, training), or they can be of physical (e.g. resources) or social and cultural natures (e.g. legal norms, peer attitudes, leadership) (Stewart, 1982, 2003). The nature of demands and constraints is situational, so the available behavioural choices change accordingly (Stewart, 2003). Choices are enacted in three domains: i) the aspects of the role to which the incumbent chooses to devote more time and commitment of resources; ii) the tasks that are delegated; iii) boundary management (Stewart, 1982). The DCC model is consistent with observations by Hales (1986), as it allows for variation and contingency, choice and negotiation, pressure and conflict, and reaction and non-reflection, stressing that managerial (and, for that matter, directors') activities *"may be competing, even contradictory"* (Hales, 1996:102). Figure 3 provides an overview of Stewart's model of role.

Figure 3: Stewart's Demands–Constraints–Choices model of role



Source: Based on Stewart (1982)

The DCC model is considered adequate to guide present research on *how do chairpersons and CEOs respond to strategic tensions?* since its simplicity provides the necessary flexibility to explore the demands, constraints, choices and supports of each role, their interplay, as well as how tensions are perceived, constructed and responded to. In addition to its simplicity and dynamic nature, the model offers the opportunity to locate and explore strategic tensions inside the boardroom and at different levels of analysis, by examining the nature of demands, constraints and opportunities.

Furthermore, role theory, and particularly the work of Rosemary Stewart, has been widely recognised for its contribution to qualitative methodologies (Parry, 2003), often seen as *"exemplars of the argument for qualitative reasoning rather than quantitative analysis for studying a complex and weakly understood phenomena"* (Kroeck, 2003:204).

A number of previous studies have successfully used role theory to examine boardroom dynamics: for example, the chairperson–CEO relationship (Stewart, 1991; Roberts and Stiles, 1999; Kakabadse, Kakabadse and Barratt, 2006) as well as the chairperson role and skill-set (Kakabadse and Kakabadse, 2007b).

Stewart's examination of the chairperson–CEO relationship in the UK National Health Service (NHS) using her own DCC model was able not only to examine the dependent nature of this relationship but, importantly, how the degree of this dependence was contextually determined (Stewart, 1991). For Roberts and Stiles (1999), role theory is useful in examining the interpersonal nature of roles, and the expectations formed and negotiated within a particular boardroom formative context, stressing the importance of bringing together process and contextual research perspectives. Other authors (Kakabadse, Kakabadse and Barratt, 2006) have used role theory as a lens through which to examine the chair–CEO relationship in context and to emphasise the relational dimensions of effective performance, and also to "gain consistency across interviews" while examining the role and contribution of 103 UK, US and Australian chairpersons (Kakabadse and Kakabadse, 2007b).

In conclusion, role theory – particularly the DCC model of role – fits both the exploratory nature of research as well as the question it seeks to answer.

2.7 Chapter summary

This chapter has reviewed and discussed the literature on paradox and tension as well as literature on company boards, with particular reference to the roles of chairperson and CEO. In bringing this literature into focus, a fundamental research gap has been identified along with associated research questions. How do chairpersons and CEOs respond to strategic tensions? This question is central to this thesis. This chapter has also identified and discussed role theory, particularly the DCC model of role (Stewart, 1982), as a lens through which to investigate the research question.

The next chapter will specify and discuss the methodological apparatus used in this research.

Chapter 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces social constructivism as the philosophical foundation for this study. It starts by outlining the research questions and the aims and objectives of the study. There then follow considerations about the research ontology and epistemology underpinning the study. From these considerations the research design is laid out and methodological choices are discussed regarding: the study approach, inquiry logic, guiding theory, research context, level and unit of analysis, time horizon, sample selection, methods of data collection and analysis, researcher involvement and ethical approach. The pilot study is presented together with the key findings and learnings that informed the main study. In the main study section, the full sample is presented and the procedures for data collection and analysis are further laid out, along with other important considerations. The chapter closes with a summary and briefly introduces the next chapter.

3.2 Research questions

The literature review undertaken in the preceding chapter revealed a research opportunity calling for the exploration of chairperson and CEO responses to strategic tensions. The pivotal question in this research is, therefore:

How do chairpersons and CEOs respond to strategic tensions?

In order to address this fundamental question, four additional sub-questions are considered:

- What is the nature of the business contexts within which tensions are perceived by chairpersons and CEOs?
- What are the demands, constraints, choices and supports available to chairpersons and CEOs in fulfilling their distinct roles?
- What is the nature of the strategic (or other) tensions as perceived by chairpersons and CEOs?
- What are chairpersons' and CEOs' behavioural choices (i.e. their responses) in the face of demands, constraints and supports presented to them in fulfilling their distinct roles?

In broad terms, this study seeks to explore the nature of the strategic tensions and the responses given by UK-listed-company chairpersons and CEOs in handling them.

3.3 Philosophical perspective

The philosophical foundation of the present study is imbedded in the ontological and epistemological positions of constructivism and interpretivism. The following two sections briefly outline the reasons for taking this particular philosophical approach.

3.3.1 Ontology and epistemology

While a number of ontological positions exist, two positions are often described as being at opposing poles. Positivism, also called naturalism, is prevalent in the natural sciences and conceives of reality as something observable, independent of human action (Crotty, 1998). The alternative position, constructivism, posits that reality is a product of human action that gives meaning to things (Guba and Lincoln, 2005). Between these opposing philosophical positions is a spectrum along which a plethora of other intermediate ontological positions can be found. Even the extremes of this ontological spectrum are subject to debate. For example, Burrell and Morgan (1979) speak of external observable reality on the one extreme and the product of individual consciousness on the other, while Blaikie (1993) speaks of realism and constructivism.

Positivist ontology rests on the belief that reality exists externally from and independently of the individual (Crotty, 1998). The role of the social scientist is therefore to identify and measure an objective reality. According to this position, there exists a reality outside the individual which possesses recognisable and regular properties and which can be identified and measured. In opposition to positivism, social constructionists argue that reality is subjective, the product of how individuals interpret and construct it in their specific contexts (Crotty, 1998). If reality is subjective and socially constructed, the emphasis of the social scientist must be on how social actors define their situations, interpret events and recognise social actions in specific circumstances (Schwandt, 1997). Such a point is made very clearly by Blaikie (1993:176), who argues that “for interpretivism, the social world is the world perceived and experienced by its members from the inside, and the task of the social scientist is to discover and describe this insider view, not to impose an outsider view on it”.

This study adopts an ontological stance consistent with social constructivism. Chairpersons’ and CEOs’ roles are seen as subjective entities uniquely enacted by each incumbent in his/her specific context. As such, roles are given meaning and made real by role incumbents’ interpretations of what the role is and what it is not. Such interpretations are influenced by others’ expectations of what the role should be, and by a variety of other contextual factors, including location and spatial considerations. Such a view is consistent with early role theorists who consider the individual as active in shaping the content and meaning of his/her role (Graen, 1969; Katz and Kahn, 1966; Stewart, 1967).

The focus of this study is on exploring chairpersons' and CEOs' responses to strategic tensions in context. It therefore invites an examination of the individuals' interpretation of their roles and of the specific contexts and situations in which they find themselves. CEOs' and chairpersons' lived experiences of their roles provide a unique opportunity to explore the perceived role demands, constraints and supports and to begin to understand the nature of tensions that emerge. In addition to role theorists' view that roles are socially constructed and that individual interpretation is fundamental for role enactment, literature dealing with paradox and tension – discussed in Chapter 1 – speaks of tensions as socially constructed. For example, Ford and Backoff (1988:89) define paradox as a "'thing' that is constructed by individuals … through reflexion or interaction", and others define paradoxical tensions as perceptual "cognitive or socially constructed polarities" (Lewis, 2000:761). These and other authors (e.g. Smith and Tushman, 2005) assert that latent tensions are constructed as paradoxical via the individuals' cognitive frames, and argue that to conceive organisations as inherently paradoxical is to obscure the importance of the individual's interpretation and action. Later work from Smith and Lewis (2011), however, acknowledges an ontological contradiction in paradox and tension literature between those who consider tensions and contradictions to exist objectively in the environment irrespective of individual interpretation and interaction, and those who argue that tensions are social constructions of lived experience (Ashcraft, Kuhn and Cooren, 2009). In this study the view that tensions are social constructed is favoured by the researcher, in that tensions are believed to be constructed and reconstructed through the lived experiences of individuals occupying particular roles (i.e. chairpersons and CEOs).

In line with the above discussion this study selects an "interpretivist" epistemological approach which posits that "*we are in a continual process of interpreting the social world around us in that we interpret the actions of others with whom we interact and this interpretation leads to adjustment of our own meanings and actions*" (Saunders, Lewis and Thornhill, 2009:116). As such, this research will focus on subjective meanings and social phenomena attaching importance to the formative context and individual behaviours within that context and in specific situations (Saunders, Lewis and Thornhill, 2009).

Next, the research design choices that follow from the ontological and epistemological considerations are presented and discussed.

3.4 Research design

The following sections outline the decisions about research design that follow from the ontological and epistemological considerations discussed in the preceding sections. They explain the main methodological options considered for this study as well as presenting a justification for why other options were not pursued. Discussed next are considerations about the study approach, inquiry logic, guiding theory, research context, level and unit of analysis, time horizon, sample selection, methods of data collection and analysis, researcher involvement and ethical approach.

3.4.1 Research approach

An exploratory type of study is proposed. This research approach is suitable for answering *what* question about social phenomena (Saunders, Lewis and Thornhill, 2009; Silverman, 2013): that is, what strategic tensions are perceived and what responses to those tensions are given by chairpersons and CEOs while fulfilling their roles.

Because the phenomena are unknown to the researcher, an explanatory study approach is not suitable, since this approach is useful only for phenomena of which there is sustained prior knowledge of its interacting components. As such, an exploratory type of approach has been chosen since the phenomenon is yet to be characterised before it can be explained (Saunders, Lewis and Thornhill, 2009; Silverman, 2013).

3.4.2 Inquiry logic

An exploratory nature calls for an inductive, data-driven inquiry logic (Saunders, Lewis and Thornhill, 2009). If the substantive nature of chairpersons' and CEOs' responses to strategic tensions are unknown to the researcher, *a priori* formulation of a research hypothesis based on existing theories is wholly inadequate. The inquiry thus starts from a set of observations and then moves from those particular experiences to a more general set of propositions about those experiences: that is, from data to theory and from the specific to the more general. Many authors (Bryman, 1988; Glaser and Strauss, 1967; Silverman, 2013) have argued that deductive inquiry logics do not fit qualitative analysis. As Bryman observes:

> *The prior specification of a theory tends to be disfavoured because of the possibility of introducing a premature closure on the issues to be investigated, as well as the possibility of the theoretical constructs departing excessively from the views of participants in a social setting.* (Bryman, 1988:81)

Positivistic deductive inquiry logics miss the important formative context within which chairperson and CEO roles are enacted, tensions emerge and responses are formed. In contrast, an inductive inquiry logic will be able to generate data-driven theoretical propositions about the phenomena, which may be tested later in subsequent studies. Thus the methods proposed for this study seek to generate new propositions about the phenomena under study, rather than taking a testable hypothesis as the point of departure (Glaser and Strauss, 1967). As a consequence, the research follows a more grounded approach, in a progressive focusing style (Haynes, 2013; Holloway and Todres, 2003), allowing for emerging issues to arise from the fieldwork. This approach implies data collection should be "*open-ended beyond a general direction – breadth and depth at different phases ... in which the questions may change at different stages depending on the data that is emerging and clues from the literature*" (Holloway and Todres, 2003:348). This does not mean that the study is atheoretical. In focusing on how particular chairpersons and CEOs carry out their roles and respond to strategic tensions, a theoretical lens is required that permits observation of the roles in order to support and inform the research inquiry and ensure consistency in data analysis procedures.

3.4.3 Guiding theory

This study uses role theory (e.g. Stewart, 1982) as a theoretical framework to guide data collection and analysis. This process is outlined in **Section 3.7.4 – Data analysis.**

Role theory has its roots in symbolic interactionism (e.g. Mead, 1934) and lends itself to supporting qualitative inquiry (Stewart, 1991. Role analysis (e.g. Graen, 1976; Stewart, 1982) is used as part of the study methodology enabling an examination of the supports, constraints, complexities, challenges and choices that chairpersons and CEOs face in enacting their roles. In turn, this allowed the researcher to identify the perceived tensions and responses to tensions produced by role incumbents in their particular contexts. Stewart's role model has been used in similar previous studies as a means of ensuring consistency of inquiry and analysis across interviews (e.g. Kakabadse and

Kakabadse, 2007). Previous studies also emphasise the powerful impact of context (Pye, 2000; Pye and Pettigrew, 2005), where examples of board directors' dysfunctional behaviour have been observed. Role theory allows context to be taken account of, by identifying, for example, constraints arising from the context in which the role is enacted, including the physical spaces within which the incumbent operates, as well and social and cultural norms. As discussed in Chapter 1, role theory has been recognised for its contribution to qualitative methodologies (Parry, 2003), allowing for *"variation and contingency, choice and negotiation, pressure and conflict, and reaction and non-reflection", emphasising managerial activities that are "often competitive, even contradictory"* (Hales, 1996:102).

The next sections proceed with considerations about the research context of the study.

3.4.4 Research context

This cross-sectional study was conducted with chairpersons and CEOs from UK listed companies in a variety of sectors. The UK took the lead on corporate governance reform with the publication of the Cadbury Committee Report (1992). Since then, a plethora of other regulations have come into force (e.g. Greenbury Committee Report, 1995; Hampel, 1998; Turnbull, 1999). A new set of self-regulatory measures were introduced by the Higgs Report (2003), which recommended, among other things: the application of the combined code of conduct, greater interaction between executives and non-executives on key business areas, information sharing about companies' activities, more regular committee meetings, as well as greater board diversity and independence, director training and shareholders' access to boards. More recently, other recommendations have focused much more explicitly on providing guidance on boardroom effectiveness

(Financial Reporting Council, 2011), covering aspects such as the role of the board and of individual board directors (e.g. chairperson, CEO, non-executive director [NED], senior independent director [SID]), the decision-making process and board performance evaluation. Furthermore, the separation of chairperson and CEO roles has been embraced by about 96.4% of FTSE 350 companies (Grant Thornton, 2014). The UK Corporate Governance Code (Financial Reporting Council, 2016) stresses the importance of effective leadership of the board of directors by the chairperson, leaving executive responsibility entirely to the CEO. This feature of the UK corporate governance regime makes the investigation of how chairpersons and CEOs respond to strategic tensions more meaningful and relevant than in regimes where combined roles predominate.

The UK is thus a vibrant, dynamic place in which to explore chairpersons' and CEOs' responses to strategic tensions.

3.4.4.1 The broader context

The research was conducted with chairpersons and CEOs from UK listed companies operating in a variety of industries. Listed companies are subject to wider public and regulatory scrutiny and board roles have a strong normative component. In addition, public companies are normally large complex multinationals, which often implies a plurality of interests and complexities to be faced by top roles inside and outside the boardroom. Moreover, different industries may differ in the nature and complexity of challenges, which can be reflected in differing tensions faced by chairpersons and CEOs. The sample selection criteria are outlined in Section **3.4.8 – Sample.**

3.4.5 Level of analysis

This study is interested in exploring the nature of perceived strategic tensions and associated responses given by board directors while enacting particular roles. The level of analysis for the study (Yurdusev, 1993) is board directors, focusing on two particular board director roles.

3.4.6 Unit of analysis

The unit of analysis of this study is an individual occupying a board director's role either of chairperson or CEO (undergoing distinct demands, constraints, choices and supports). By exploring how chairpersons and CEOs perceive and enact their roles in context, one can begin to identify the nature of tensions experienced as well as the responses to those tensions that are given by role incumbents.

3.4.7 Time horizon

This research takes the form of a cross-sectional study, in that chairpersons' and CEOs' experiences, feelings, perceptions and meanings are captured at a particular point in time (i.e. during interviews) and, as such, role demands, constraints and choices (Stewart, 1982) can only be captured in hindsight, and not tracked in "real time".

Although the researcher recognises that the nature of the phenomenon could benefit from a longitudinal design, difficulties in getting access to chairpersons' and CEOs' over time, and the time limitations of the research itself, mitigate against attempting to embark on such an unrealistic, albeit exciting, endeavour.

3.4.8 Sample selection

The study uses a non-probability, purposive sampling where selection criteria are derived primarily from the research question and study scope and constraints of time and resources, since it is not the study's aim to generalise findings to a population (Patton, 2002). As a general guide, Creswell (2007) recommends 25–30 interviews be undertaken for a general qualitative study. In a recent review of qualitative work in management studies, Saunders and Townsend (2016) find a range of between 15 and 60 interviews acceptable, subject to the nature of the research question and conventions in the area of study. Prior studies examining the roles of CEO and/or chairpersons have used similar sample sizes (e.g. Stewart, 1991; Kakabadse and Kakabadse, 2007; Pettigrew and McNulty, 1995; Kakabadse et al., 2001).

In line with general recommendation for qualitative research and past studies in the field, the initial sample size envisaged was 20 individuals with significant experience as CEO and/or chairperson. Data saturation (i.e. the point in data collection where no new data emerges that modifies existing conceptual categories or creates new ones) (Glaser and Strauss, 1967) was reached at interview 15. However, to strengthen the validity of the themes' content and to take advantage of the unique access obtained to interview board directors, the researcher continued to gather additional interviews, which served to confirm the themes that were emerging (Francis et al., 2010). The final sample size was 30 board directors. The opportunity also arose to interview two chief financial officers (CFOs) as significant others, with the objective of confirming some of the categories emerging from interviews with CEOs and chairpersons.

Table 4 provides an overview of sample selection criteria and justification.

Table 4: Sample selection criteria

Criteria	Description	Justification
Roles	Sample must have a balanced representation of individuals with substantial CEO and chairperson experience.	Role-based research which attempts to capture the role demands, constraints, supports, tensions and choices of chairpersons and CEOs while fulfilling their *distinct* roles. Each role may pose different demands, constraints and choices – hence it is important to account for this variability.
Experience	Participants should have substantial experience as CEOs and chairpersons so as to provide a richness of different perspectives of role fulfilment.	Experienced chairpersons and CEOs give the researcher greater assurance and confidence in gathering depth and breadth of role experiences. Also, experienced chairpersons' and CEOs' profiles are usually in the public domain and it is easier to prepare for interviews with material on their past experiences publicly available.
Multiple board experience	Participants should have had experience on more than one board.	Single-board experiences are less likely to give the research the depth and breadth of information required.
Geography	UK-based chairpersons and CEOs.	The research is being undertaken in UK listed companies. The UK is arguably the most sophisticated corporate governance regime and leads the debate on innovation in governance practice. Furthermore, it is easier in terms of time and cost to schedule face-to-face interviews in the UK.
Industry	Sample should cover as wide a range of industries as possible.	While chairpersons' and CEOs' normative roles are applicable to all industries, it may be that certain roles have particular dominance in some industries or that some industries may impose particular pressures on these roles.
Type of company	Only CEOs' and chairpersons' experiences in UK listed companies were considered.	Listed companies have a particular set of roles which are mandated by regulation.

In order to guarantee sufficient representation of roles and perspectives, the final sample was negotiated to include a balanced number of chairperson and CEO roles, with significant experience in UK publicly listed companies from a variety of sectors. Details of the final sample are further presented in **Section 3.7.2.**

3.4.9 Methods for data collection

A number of studies have shown that research that relies on agency theory and on structural and compositional aspects of the board, and so uses quantitative methodologies to link input and output proxies, has led to inconsistent and inconclusive results (Daily, Dalton and Cannella, 2003; Finegold, Benson and Hecht, 2007; Finkelstein and Mooney, 2003; Johnson, Ellstrand and Daily, 1996; Leblanc and Gillies, 2005). As Pettigrew poignantly observes:

> *[…] before tenuous links can be made between independent variables and dependent variables, perhaps we need to know more about the substance we are seeking to link with other phenomena.* (Pettigrew, 1992:173)

The failure by the "hard governance tradition" in reaching a consensus has led some researchers to consider alternative approaches to studying the board (both as a body and as individual roles) as the *prime* institution of corporate governance, where via board decision-making the direction and fate of the firm is determined (Clarke, 1998; Gabrielsson and Huse, 2004; Hambrick, van Werder and Zajac, 2008; Huse, 1998; Huse et al., 2011; Leblanc, 2004; Leblanc and Schwartz; 2007; Pettigrew, 1992; Pye, 2005). Most studies to date, examining either board directors' behaviour (e.g. Huse, 1998; Leblanc and Gillies, 2005; Smara-Fredericks, 2000a, 2000b) or paradox and tension (e.g. Tushman, Smith and Binns, 2011; Jarzabkowski, Lê and van de Ven, 2013) have drawn heavily on qualitative methodologies, particularly in-depth, semi-structured interviews and other qualitative techniques, despite the enormous barriers faced by governance researchers in gaining access to board directors (Leblanc and Schwartz, 2007).

Trying to make sense of disparate initiatives to move the corporate governance research agenda away from the "black box" approach (i.e. one that uses board demographics as input proxies to infer board behaviour and outcomes), a number of reviews have been carried out in the last decade or so (Gabrielsson and Huse, 2004; Pye, 2005; Pye and Pettigrew, 2005; Hambrick, van Werder and Zajac, 2008; Huse et al., 2011).

Gabrielsson and Huse (2004) identified four boardroom research streams: i) contingency; ii) behavioural; iii) evolutionary; and iv) input–output or “black box” studies, showing that a very limited number of studies (28) have addressed boards in context or through a behavioural lens. The behavioural perspective is rooted in psychological and sociological studies and is concerned with processes, actors, decision-making and social dynamics (Gabrielsson and Huse, 2004). Contextual and evolutionist studies (Gabrielsson and Huse, 2004) argue that boards are best studied with both time and contextual perspectives taken into account, highlighting the dynamic and idiosyncratic character of boardrooms and the powerful effect that “outer context” stakeholders such as activist shareholders, the financial press or lobby groups exert (Pye, 2005; Pye and Pettigrew, 2005). Other reviews using different classification criteria identified “behavioural processes” as an emerging area of study in the boardroom, stemming from social psychology and symbolic management traditions (Hambric, van Werder and Zajac, 2008).

This study explores CEOs’ and chairpersons’ responses to strategic tensions. As such, it positions itself within the behavioural and contextual perspectives of boardroom study (Gabrielsson and Huse, 2004), aiming to examine chairperson and CEO behaviour in role and in context (Hambrick, van Werder and Zajac, 2008). Consequently, quantitative methodologies have been discounted on the grounds that they are not suitable for answering the research question, in that they fail to adequately capture behavioural variability in context; nor do they serve the exploratory nature of the study.

Given the obstacles in accessing the "black box" (Leblanc and Schwartz, 2007), interview techniques have been selected by researchers as the primary tool with which to examine the behaviour of firms' top decision-making role incumbents (e.g. Kakabadse et al., 2001; Leblanc and Gillies, 2005; Levrau and van den Berghe, 2013). In line with past research, this study employs in-depth elite interview techniques to gather the role experiences and the demands, constraints, supports, tensions and choices perceived by highly experienced CEOs and chairpersons of UK listed companies. The use of elite interviews is recommended when participants have elite status (e.g. Aberbach and Rockman, 2002; Kakabadse and Louchart, 2012). The term "elite" has been defined as *"a short-hand term for those actors who are perceived as more powerful or privileged than some undefined group"* (Woods, 1998:2001). In this study participants meet the definition of elite, as they were all, without exception, current or former directors of multi-billion-pound companies; some have held important roles in the UK government and others held honorary titles such as Lord or OBE (Order of the British Empire), clearly signalling high status, power and influence. Elite interviews differ from non-elite techniques in terms of difficulty of access and mode of access, interview style, sampling method, ethical safeguards, usefulness of interview protocol, and a number of aspects of the relationship between interviewer and interviewee (relating to knowledge and power) (Kakabadse and Louchart, 2012). These differences have been systematised by Kakabadse and Louchart (2012), and are shown in Table 5.

Table 5: Non-elite and elite interview characteristics

Characteristics	Non-elite interviews	Elite interview
Access	• Relatively easy • Negotiated through formal channels	• Difficult • Negotiated through networks
Common interview style	• Structured or standardised open-ended questions • Semi-structured or guided interview • In-depth informal conversation and/or life histories	• Open or unstructured conversation • Semi-structured or guided interview
Sampling method	Convenience, quota, theoretical, non-probability	Opportunistic, snowballing, non-probability
Ethical safeguards	Explicit responsibility of inquirer	Implicit process based on inquirer's credibility
Interview protocol	Important – use of interviewing guides	Less important – may or may not be used, but useful for inexperienced researchers
Interviewer's initial knowledge about interviewee and vice versa	Minimal	Considerable, including professional and personal information
Expert knowledge (i.e. balance of power) with …	Interviewer	Interviewee
Scrutiny/selection of participation rests with …	Interviewer	Interviewee

Source: Kakabadse and Louchart (2012)

The use of elite interviews is further discussed in **Section 3.7.3 – Main study: elite interviewing)**

Other qualitative data collection methods were considered as either a complement or an alternative; however, they were disregarded for several reasons. The use of focus groups has been ruled out because boardroom members are likely to become inhibited about sharing deep experiences in a group setting, as the information may be too sensitive. Furthermore, focus groups would need to assemble different elite individuals (who are as a rule extremely busy) in the same room at a given date and time, which could prove to be very difficult. Ethnographic observation has been used to study board directors' and

CEOs' roles in the past (e.g. Brundin and Nordqvist, 2008; Huse, 1998; Leblanc and Gillies, 2005; Mintzberg, 1971; Smara-Fredericks, 2000a, 2000b; Tengblad, 2006). This method is likely to entail different data-gathering techniques (Silverman, 2013), and provides a closer look into the everyday life of directors, allowing a more fine-grained analysis (Clarke, 1998; Pettigrew, 1992) of role behaviours, and tracking of them over time. However, this method has some important disadvantages. First, gaining access to "live boards" has been reported as extremely difficult and time-consuming (Leblanc and Schwartz, 2007). Second, studies that were able to use ethnographic methods on boards have reported that the presence of the researcher can alter board member behaviour (e.g. Brundin and Nordqvist, 2008). Data collection itself is likely to take several years, and as such it is not practicable for timely completion of a doctoral programme (Smith, 1991).

The next section briefly explains the choices made in relation to the data analysis techniques employed in the study.

3.4.10 Methods for data analysis

This study uses thematic analysis (Braun and Clarke, 2006; Saunders, Lewis and Thornhill, 2009; Silverman, 2013), whereby categories are developed and matched to units of data which are coded and analysed so as to identify themes, and reveal patterns and relationships. The application of thematic analysis in the main study will be discussed in Section **3.7.4 – Data analysis**. Thematic analysis is often referred to as the primary, foundational method for qualitative analysis (Boyatzis, 1998; Braun and Clarke, 2006). This is a flexible analytical method as it can be applied across different theoretical and epistemological approaches, while being compatible with constructivism (Braun and Clarke, 2006). Thematic analysis will thus be applied to the dataset collected from interviews with chairpersons and CEOs, and semantic and latent patterns or themes will be inductively identified (Braun and Clarke, 2006; Patton, 2002). The thematic analysis includes six different broad phases: i) immersion in the data (including transcribing, producing and reading "verbatim"); ii) generating initial coding; iii) searching for themes (i.e. how different codes combine to form a theme); iv) refining the themes (ensuring consistency within and across themes); v) defining and naming the themes; and vi) producing an analytical report of the analysis (Braun and Clarke, 2006).

The use of thematic analysis has been referred to as yielding greater advantages when compared to other data-driven or bottom-up analysis techniques. For example, it is not as time-consuming nor as prescriptive in terms of data collection procedures as grounded theory and interpretative phenomenological analysis (IPA), and can more comfortably handle bigger sets of data (anything between 15 and 30 interviews) (King, 2013). Moreover, thematic analysis attempts to inductively derive codes and themes from data as they emerge, and does not attempt to develop *a priori* themes as do content analysis (Saunders, Lewis and Thornhill, 2009) and template analysis (King, 2013) which may distort and limit the depth and breadth of analysis. This more grounded approach (i.e. not grounded theory) combines the advantages of both more grounded analysis and template analysis. Thematic analysis will be guided by role theory (Stewart, 1982) as outlined in **Section 3.6.4** and further developed in **Section 3.7.4**.

The software package NVivo 10 was used to input and analyse data. The use of Computer Assisted Qualitative Data Analysis software (CAQDAS) has clear advantages for the research, such as providing greater legitimacy and rigour to the analytical process (Saunders, Lewis and Thornhill, 2009; Sinkovics and Alfoldi, 2013): for example, by documenting "*the iterative process of going forwards and backwards between theory and the field*" (Sinkovics and Alfoldi, 2013:114). The results are expected to adhere to the assessment criteria of credibility, dependability, confirmability, ecological validity and transferability/logical inference that are used to assess qualitative research carried out under interpretivist epistemology (Symon and Cassell, 2013).

3.4.11 Researcher involvement

As explained in **Section 3.3.1**, the positivist perspective requires that the researcher be completely independent of research results to guarantee their validity. However, the interpretivist position assumed in this study views the researcher's involvement in interpreting the phenomena as part of the process of knowing; and this needs to be explicitly acknowledged (Altheide and Johnson, 2013:404). Hence, in this study it is believed that the researcher's partial involvement in the research process and result interpretation – such as his thoughts, intuitions, preferences and emotions – require consideration but remain an integral part of the process of interpretation (Hatch, 1993). With the aim of minimising the researcher's bias in the process of interpretation, extensive use was made of: reflexivity (a process of gaining awareness of one's own bias and preferences); thick descriptions (i.e. interpreting social actions "by recording the circumstances, meanings, intentions, strategies, motivations, and so on that characterise a particular episode" (Schwandt, 2001:255); and discussions with supervisors about the emerging findings at different stages of the interpretation process (Creswell and Miller, 2000). This important aspect is discussed further in **Section 3.7.4.3**.

3.4.12 Ethical issues

Owing to the elite status of the participants, the nature of the information collected in this study is highly sensitive and, in some cases, if disclosed in a manner that allows its source to be identified, could potentially cause reputational and commercial harm to both the companies and the individual participants (Leblanc and Schwartz; 2007; Saunders, Lewis and Thornhill, 2009).

This research adheres to the highest ethical standards as set out by the University of Reading Ethics Committee (2012) to ensure confidentiality, anonymity and good use of the research data (Bell and Bryman, 2007; Wiles et al., 2008). The following steps were undertaken:

- Participants were fully briefed as to the aims and objectives of the research and the participants' consent was obtained;
- The location of the interviews was negotiated with each participant to ensure that the interviewee's right for privacy and anonymity were safeguarded;
- Tape recordings of the interviews were kept under lock and key;
- Transcriptions of the recordings were attributed with a code (i.e. an identifying number rather than the participant's name), so as to mask the identity of the participant;
- In writing up results, presentation and analysis, the researcher took due care in ensuring that individuals and companies that were alluded to in interviews were kept anonymous and unidentifiable by any third party.

These principles were also adhered to when discussing sample composition and, importantly, when writing research analysis and the discussion in Chapter 4.

3.5 Summary of research design

Table 6 provides a brief summary of the proposed research design, choices and core justifications, showing how the different choices integrate to form a coherent whole.

Table 6: Research design overview

	Design	Choice	Justification
1. Philosophical perspective	**1.1** Ontology	Social constructivism	Roles and tensions are meaningfully constructed by an actor's actions.
	1.2 Epistemology	Interpretivism	The research seeks to understand the meanings chairpersons and CEOs attach to certain events while enacting their roles.
2. Research approach	**2.1** Approach	Exploratory	The nature of the phenomenon is unknown/undetermined.
	2.2 Inquiry logic	Inductive	Allows one to explore and gain an understanding of the subjective meanings chairpersons and CEOs attach to events in enacting their respective roles, as well as a closer understanding of the research context.
	2.3 Guiding theory	Role theory	Is founded on the symbolic interactionism tradition and allows for characterisation of the work of chairpersons and CEOs in context, providing consistency to the interview process.
3. Research context	**3.1** Broader context	UK listed companies (various sectors)	Opportunity presented to study listed companies in the UK. The UK is perhaps the leading country in governance research and regulatory innovation.
	3. 2 Level of analysis	Board directors	The study seeks to explore the nature of and responses to tensions as perceived and experienced by individuals in their roles.
	33. Unit of analysis	Individual	The interest is in the roles of chairperson and CEO which are presented with demands, constraints, choices and supports.
	3.4 Time horizon	Cross-sectional	It is hard to observe/gain access to CEOs and chairpersons over time; and with the time constraints inherent to a PhD.
	3.5 Sample	Non-probabilistic, purposeful sample	Pilot study to fine-tune methodology and anticipate issues. Final sample to be a balanced representation of chairperson and CEO roles across industries.
4. Methods for data collection	**4. 1** Data collection technique	In-depth elite interviews	Allows for a rich description of context and action and the meanings attached to them by the actors. The focus is on open-ended questions and on the participant as the narrator of his/her own role experience.
5. Methods for data analysis	**5.1** Data analysis techniques	Thematic data analysis (NVivo 10 software)	Foundational and flexible qualitative data analysis technique that is less prescriptive and time-consuming than other techniques. Can handle large quantities of data and is compatible with constructivism.

The next section presents the application of the research design to the pilot study in order to test its robustness. Also presented are key pilot-study findings and learning points that informed the research in the main study.

3.6 Pilot study

The pilot study provided the researcher with great insight into chairperson and CEO role-based experiences and potential areas of inquiry going forward: exploring the nature of, and responses to, perceived tensions by chairpersons and CEOs of UK listed companies.

The next sections outline the pilot-study purpose, sample, data access, data collection and data analysis procedures. Findings from the pilot study are presented and implications for the main study are discussed.

3.6.1 Purpose of the pilot study

The aim of the pilot study was to assess whether the methods proposed for the final study were appropriate, as well as to determine the viability of the research question (Gillham, 2005; Huberman and Miles, 1994).

The lessons drawn from the pilot study were used to calibrate the methods and areas of inquiry pursued in the main study.

3.6.2 Pilot-study sample

Pilot-study participants held various positions on different boards. All interviewees were UK-based directors with significant experience within different large UK companies throughout their careers, where they held chairperson and/or CEO roles. In total the four individuals discussed six role experiences (four as CEO and two as chairperson). The experiences related to five different industries. Table 7 provides some detail on the pilot-study sample demographics.

Table 7: Pilot-study sample

Participant	Gender	Age	Ethnicity	Roles	Sector
Participant 1	Male	58	White British	CEO 1	Defence and aerospace
Participant 2	Male	57	White British	CEO 2 Chairperson 1	Broadcasting Entertainment
Participant 3	Male	64	White British	Chairperson 2	Manufacturing
Participant 4	Female	53	White British	CEO 3 CEO 4	Manufacturing Hospitality & travel

The pilot-study sample comprises three male directors and one female director; their age varied between 53 and 64, with an average of 58. All participants had over seven years' experience as CEO and/or chairperson in UK publicly listed companies.

3.6.3 Pilot-study data collection

Participants were first contacted by the researcher's supervisors followed by a letter outlining briefly the aims, objectives and scope of the study and assurance of confidentiality.

Data was collected using in-depth elite interview techniques, which took place at each participant's office in London. Interviews had a planned duration of 60 minutes but some participants ended up offering 90 minutes of their time, while one lasted only 45 minutes.

The individuals interviewed had elite status, and this required a great deal of preparation from the researcher in order to prevent the interview being driven by the interviewee (Zuckerman, 2003) and to establish trust and respect (Ostrander, 2003) by having a high-level, well-informed discussion about their experiences. As argued by Chase (2005:203), interviews require a great deal of preparation so as to know *"what is story-worthy in the narrator's social setting"* (Chase, 2005:661). Hence the researcher collected significant data on past and current companies in which the interviewee held

CEO and chairperson roles. This was done using publicly available company reports and accounts, company information gathered from the specialist database Amadeus.bvdinfo.com (available at the University of Reading), as well as newspaper articles carrying important stories about the companies in which participants served, which could be used as starting points for discussion.

Informed consent was obtained from the participants prior to the interviews and the researcher started the interviews by providing reassurance with regard to data confidentiality and anonymity. Notes were taken during the interviews on the interviewee's general behaviour (openness, defensiveness, honesty, reactions to specific questions, etc.).

The five pilot-study interviews focused on elements that might assist in responding to the research questions. The following themes guided the inquiry process during the interviews:

- The general and specific contexts in which chairpersons and CEOs enact their roles;
- The nature of tensions perceived and faced by chairpersons and CEOs while fulfilling their roles;
- The constraints, opportunities and choices available and perceived by chairpersons and CEOs in such contexts while fulfilling their roles;
- The expectations of the roles and social dynamics experienced by chairpersons and CEOs inside and around the boardroom;
- The nature of the interplay between CEOs' and chairpersons' roles;
- Chairpersons' and CEOs' responses (behavioural, emotional or otherwise) in dealing with tensions.

The interviews were conducted in a manner that allowed participants to speak freely about their personal experiences as chairpersons/CEOs, thus enabling exploration of their stories, rather than imposing predetermined questions that could prematurely close the inquiry process. The interviewer steered the conversation as appropriate in line with the overarching themes of the interview with a view to progressively gaining the participant's trust. For example, interviews started with some general questions about the participant's career and went on to become more intimate in terms of more particular experiences, relationships, situations, feelings and decisions as chairpersons and/or CEOs.

All five participants appeared fairly open throughout the interview in discussing their role experiences, although, at times, the researcher felt that the interviewee held back on certain subjects, for commercial or reputational reasons. All interviews were tape-recorded for accuracy and subsequently transcribed.

The more particular issues relating to the conduct of elite interviews with relevance for the main study will be fully explored in **Section 3.7.3**.

3.6.4 Pilot-study data analysis

The researcher initiated an immersion into the data by reading the transcripts several times and becoming familiar with the dataset.

The transcripts were uploaded into NVivo 10 software and an initial thematic analysis was performed. Coding was developed in a bottom-up, data-driven, inductive manner. Preceding the coding were the study research questions as well as the guiding theory (i.e. role theory) and the initial literature review. Data analysis comprised a number of phases:

i) Immersion in the data, including reading the transcripts several times and developing summaries of each interview by role;

ii) First-order coding guided by the Demands–Constraints–Choices (DCC) model of roles (Stewart, 1982). The initial coding included both open coding and theoretical coding (Glaser, 1978, 1992). The use of Stewart's (1982) model of role demands, constraints and choices ensured consistency of analysis at the initial stage (Kakabadse and Kakabadse, 2007), and coding was performed so as to assign relevant data to each of these three theoretical categories for each role (chairperson and CEO). In this sense the coding was theory-driven (Glaser, 1992). Simultaneously, first-order coding allowed for other categories outside Stewart's framework to emerge freely from the data for each of the roles of chairperson and CEO. For example, the category of "support" was added by the researcher to capture data that didn't fit with Stewart's (1982) model. Another example was the coding for competing demands, tensions and contradictions experienced while in role. Glaser (1978:56) defines open coding as a process that facilitates the generation of "an emergent set of categories and their properties". These categories are emergent because they are not pre-established by the researcher before the analysis (Glaser, 1978).

iii) Second-order coding used selective coding (Glaser, 1978) to aggregate identified constraints, demands, choices, supports, tensions and other codes, within and between roles, into higher-level sub-themes. This process is also described as theme formation (Boyatzis, 1998; Braun and Clarke, 2006). For example, both CEOs and chairpersons referred to the relationship between them as both a demand, a constraint, a choice and a support. Data was thus rearranged to reflect this as higher-level categories or sub-themes (in the example, chairperson–CEO relationship qualities, boundary delineation, and chairperson roles in relation to the CEO). This process is exemplified later in this chapter (**see Figure 5**).

iv) Sub-themes were grouped by noting similarities and differences, and themes were subsequently named. In the main study, a fifth step included an analysis of the relationship between themes, development of propositions and construction of the emergent model.

These analytical procedures were replicated in the main study and are discussed further in **Section 3.7.4.2**.

3.6.5 Pilot-study findings

The coding process supported by Stewart's (1982) Demands–Constraints–Choices (DCC) model of roles identified a number of codes distributed across demands, constraints, choices and supports for both chairperson and CEO roles. These codes were aggregated to form sub-themes, which ultimately formed four emerging themes: i) CEOs' and chairpersons' perceptions of the business environment; ii) the CEO's role in strategy development, implementation and communication; iii) the interdependence of the chairperson and the CEO roles; and iv) the role of the chairperson as "expectations setter" and manager of board tensions. The participants generally found the questions and the interview process interesting, and engaged in in-depth discussions about the complexities of their roles, often disclosing highly sensitive information about their experiences as chairpersons and/or CEOs. This allowed a tentative identification of promising areas of further inquiry into the experience of tensions and associated responses. Next we briefly discuss the themes that emerged from the pilot study, supported by interview evidence.

3.6.5.1 CEOs' and chairpersons' perceptions of the business environment

The first aspect that consistently emerged from participants' accounts was their need to begin by conveying their perceptions of the business environment they faced. This established their roles in a wider business context, which in all cases was characterised by uncertainty triggered by events such as far-reaching regulatory change, technology change and economic recession. Often these events would be mixed.

> *Regulation, coupled with a lot of technology changes in digital*. (CEO 2)

The idea that perceived changes in the external environment affect strategic choices was a salient aspect of CEO accounts.

> *The economic recession certainly affected the strategy; it certainly affected performance and review. And for a while your strategic transformational work to digital was masked while you resized the business to cope with the constrictions that existed across the economy – so it was a major disruptive.* (CEO 3)

Chairpersons also began their accounts by conveying their perceptions about external environmental events that impacted on the company:

> *From my perspective as chairman of [company name] then we were facing massive both technological and business-model issues which was/is somewhat insolvent.* (Chairperson 1)

Tensions between long-term, transformational objectives and short-term restructuring emerged from the accounts as a potential aspect for exploration going forward into the main study.

These insights were very useful in validating the researcher's inquiry strategy, an intention of which was to concentrate on participants' experiences in contexts of change and uncertainty, in the hope of yielding useful data to answer the study's research question.

3.6.5.2 CEO role: strategy development, implementation and communication

Participants discussing their role as CEO focused their attention primarily on their demands and choices with relation to strategic aspects such as strategy formulation, implementation and communication.

CEOs emphasised a requirement to develop a clear rationale for the business, formulate a strategy and then clearly communicate it to shareholders and investors. Getting shareholders and investors to buy in to the strategic plan emerged as an important factor in raising funds for strategy implementation, and, hence, CEO success. This idea was well expressed by one CEO:

> *Determine the top 15 decisions that we needed to make in order to, if you like, develop the psychology of the business and then to address the physiology elements and processes. So we went to the city once we had a clear idea of how we should profitably grow.* (CEO 4)

Another participant further emphasised the need to communicate, internally and externally, a clear plan for the company: something that is seen as the core demand of the CEO role:

> *We then went out to the organisation and said exactly the same thing, and said we have a plan A, and then get out to the shareholders, get out to the communities and keep on communicating it.* (CEO 1)

Other accounts stressed the importance of implementing strategy that is supported by continuous and strong internal and external communication.

> *Yeah, communication is the most important thing. I, a couple of things that I would typically do: you need to over-communicate in that period. If you're communicating once a day, you'd do it once an hour, and just bin the, you really – and organisations don't communicate enough. I always give a change programme a brand, and that brand is a disposable brand, so – and we'll call*

it something positive, but it will really be seen as a negative, so, and they call it – this change programme which 600 people are going – is called "Fit for the Future". It has a beginning, middle and an end, and it has a short time-frame. (CEO 2)

Very much so. I'm a pretty voracious communicator anyway, but I thought it was essential internally, externally, customers, suppliers, investors, to drive that very hard. (CEO 4)

This emphasis on strategy formulation and implementation as well as communication with internal and external stakeholders emerged as a central demand for CEOs, in which they enjoy significant control over the way the tasks are carried out.

3.6.5.3 Chairperson and CEO role interdependence

The importance of the interdependence of chairperson and CEO roles emerged from the pilot data. Two fundamental aspects were salient: a) delineation of the chairperson's and CEO's role; and b) the chairperson's role as a support to the CEO. These elements entail constraints and supports, as well as some degree of choice. These are discussed briefly next.

3.6.5.3.1 Chairperson and CEO role delineation

The extent to which the chairperson can step into CEO executive territory without it being perceived as a usurpation of functions or as disrespect has been mentioned as a critical zone that needs to be demarcated, as it can otherwise become a constraint on the CEO's role. One participant explained:

And there's this: it's just a balance, isn't it, between how far does that individual go before he starts taking away the, or taking on the responsibility for being the CEO because he's stepping too far over the line? (CEO 1)

Yet, for others, there is more to the interplay between the two roles than role boundaries. In some circumstances, it appears to be important to define the relationship based on the distinct capabilities each role incumbent can contribute to problem resolution rather than on normative role boundaries.

> *He'd be dealing with things that I should have been dealing with and I was dealing with a lot of things which, in the truth, he should have been dealing with. But because I had personal relationships with, or, it just didn't work that way.* (CEO 1)

Role boundary delineation emerged as both a constraint and a support for CEOs, in handling challenges of the role.

3.6.5.3.2 The chairperson as a CEO support

The chairperson–CEO relationship has emerged as a strong source of support for the CEO role.

Pilot-study findings suggest that a relationship based on teamwork, challenge and support of the CEO by the chairperson, and one that is based on respect and trust, is fundamental for the CEO in overcoming constraints and discussing choices with regards to role demands.

> *Chairmen often use details to procrastinate when they're not sure or at least to give their CEOs extra time to make sure they're sure. And [name of chairperson] and I were very honest with each other ... It had to be a much more equal relationship than that, and we were able to be very honest with other, him to give me very direct feedback, and me to do the same. So, I think we always had very, very strong trust. The CEO in my opinion needs to know that the chairman is rooting for her, that challenge, question ... the challenge and questioning and rigour, but that really believe and help you be successful.* (CEO 3)

The issue of quality of relationship, and particularly the level of trust between the two roles, emerged as important in ensuring appropriate responses to difficult problems faced by the CEO.

3.6.5.4 The chairperson as "expectations setter" and manager of board tensions

Chairpersons in the pilot study conveyed the complexity of their roles in managing tensions. In particular, they made known their ability to negotiate and set realistic expectations that can be communicated to investors and shareholders. One chairperson explained how one shareholder had unrealistic expectations of what the CEO could achieve. Because the company needed to attract new investors in order to turn itself around, this shareholder pressured the chairperson to try to obtain a bolder – yet unrealistic – strategy and communicate it to the market to raise funds. The chairperson explained:

> *So it was managing his expectations because we went through screaming matches where he said, "Well, that doesn't get back to where we, where I want to be." I said, "Frankly, [shareholder name], I know it doesn't, but I don't care: that's what we can do. If you want me to go out and sit in front of people," I said, "I can tell them we can get there, but we can't get there."* (Chairperson 1)

The chairperson later explained how he attempted to compromise and try to ensure that the strategy presented externally was realistically achievable, once again conveying the tensions with the shareholder:

> *I said, "The compromise is: I will commit to this bit, which is the base case. You can layer on whatever you like, and some of that might come through, but you can't take the base case and layer on five initiatives that take you to*

two times base." That's what he wanted to do. So there were lots of tensions there during that period. (Chairperson 1)

A further aspect that emerged in relation to the chairperson's role was a demand to bring tensions to the board's attention during meetings. The chairperson has the discretion to change the board agenda, introduce other topics and lead board meetings. One chairperson explained this very clearly:

And, anyway, I looked at the pack and I saw it had the agenda and we all did this little tour of our Austrian operation, then sat down at this boardroom to have the board meeting. And I just remember just saying, "Well, this is the agenda," and I just tore it up. I said, "I've looked at this pack. And we're not leaving this room because I don't think at the moment we're going to pass the January covenant test." The finance director was trying to minimise it, and the chief executive didn't really understand it. (Chairperson 2)

The above excerpt reveals a requirement for the chairperson to sense denial or over-optimism in the executive team, and bring to the surface any tensions that may be disastrous if not addressed.

3.6.6 Learning points from the pilot study

The pilot study served a number of objectives. First, it attempted to identify the key themes within a smaller sample as a means of uncovering potential new areas of inquiry, as well as confirming the existing interview protocol and the interview inquiry logic. It also tested whether it was appropriate to follow the analytical process into the main study.

There were several insights gained from the pilot-study findings which were useful in calibrating the methods for use within the main study.

First, invoking past stories of the participant's career that entailed far-reaching change proved useful in eliciting the sharing of situations likely to include tensions, dissent and contradictions. Participants' descriptions of the external factors affecting the firm and the key challenges they entailed were seen by the researcher as worthy of further exploration within the main study, with a view to understanding subsequent perceptions of constraint, choice and support. The interplay between the chairperson and CEO was expected to be a productive theme within the interview, as the literature review had flagged this aspect as critical in resolving tensions at board level. Moreover, the challenges of strategy formulation, implementation and communication emerged as a central and distinctive part of the CEO role, and gave the researcher further encouragement to pursue the inquiry along these lines into the main study. Furthermore, the chairperson's role as expectations setter was less obvious from the extant literature, so this was an extremely interesting point to have emerged from the pilot. The chairperson as leader of the board – board meetings in particular – was less surprising but was nevertheless an important finding in the context of handling tensions at that level. These observations indicated that the interview guide was valid and applicable going forward, but nonetheless suggested some important nuances that could be considered.

The interview protocol can be found in **Appendix 2**.

Importantly, the pilot study was particularly useful in giving the researcher the experience and the confidence to conduct elite interviews in a professional manner. This was perhaps the most important learning in terms of the data collection procedure: how to approach the subject, adopting an acceptable language and tone, as well as an understanding of when to probe and when to let the participant speak freely.

The next sections discuss the data collection and analysis procedures for the main study.

3.7 Research methods: main study

What was learnt from the pilot study assisted in calibrating the interview themes and approaches for the main study. This section further expands on the issues surrounding gaining access to business elites, the characterisation and discussion of the full-study sample, the use and conduct of elite interviewing, the application of thematic analysis techniques, and considerations concerning researcher bias.

3.7.1 Gaining access

It is well documented by both governance and political science researchers who have sought to interview elites that access is highly problematic (Kakabadse and Louchart, 2012). Governance researchers talk about difficulties in accessing the black box, for example (Leblanc and Schwartz, 2007). Many researchers emphasise the fact that elites are widely sought after but are often extremely busy (Aberbach and Rockman, 2002; Berry, 2002; Kincaid and Bright, 1957). It is important in gaining access to elites to state a clear purpose, and mention prestigious sponsors and the reputation of the researcher's affiliation (Aberbach and Rockman, 2002; Kincaid and Bright, 1957). This research was fortunate in benefiting from the latter. The researcher's affiliation, Henley Business School, enjoys a great deal of respect among British business elites; and the researcher's supervisors are also well known in the business community for their expertise in researching and advising top teams, boards and other elite bodies. Importantly, the research also benefited from the support of a high-profile City of London-based professional services firm, well connected and respected among business elites, which supported the research by lending additional credibility and access. The researcher sent a letter to prospective interviewees clearly stating the purpose of the research and arguing how the research might be of value to the business elite community (see **Appendix 1**). The recipients were drawn from the supervisors' and the professional services firm's networks, selecting those that most closely reflected the sampling criteria. The letter included a brief but robust rationale for the research, and allusions to prestige and trust (i.e. Henley Business School, the supervisors' reputation and the relationship with the professional services firm). These elements were fundamental in gaining access to high-calibre individuals with substantial chairperson and CEO experience. The personal assistant of one of the managing directors of the professional services firm helped in directing the invitation letter and in arranging the interviews. Most interviews were held at the interviewees' offices, and some were done at the sponsoring firm's site in the heart of the City of London.

3.7.2 Main-study sample

The final sample included 30 individuals who had held board roles as chairperson, CEO or both during their careers. Additionally, it was also possible to interview two chief financial officers (CFOs) to investigate the CEO–CFO relationship, which emerged as critical during CEO interviews. Those in the final sample were genuinely high-profile figures among the UK business elite. Many held prestigious titles such as Lord; others had been awarded the Order of the British Empire (OBE). Some had held important roles in the British government. All of the participants had been CEOs and/or chairpersons of multi-billion-pound businesses in various sectors. Working with such a list made the research both highly interesting and challenging: this aspect will be explored later when discussing the conduct of the interviews. However, gender balance within the sample was impossible to achieve. Of the 30 individuals that agreed to participate only one was female. By October 2015, FTSE 100 boards could claim 26.1% female representation

(Davies, 2015), and this study had aimed for a representative sample. The failure to achieve this could be due to the existence of an “old boys’ network”, members of which communicated to one other encouraging participation in the study. Also, the focus on chairpersons and CEOs considerably reduced the number of possibilities: at the end of 2015 there were only three female chairpersons and five female CEOs at FTSE 100 companies (accounting for only about 4 per cent). The single female director in this study sample represents 3.1% of the total sample.

Furthermore, all participants were from a white background, with 29 “White British” (WB) and three from “Other White Background” (OWB). Table 8 provides a characterisation of the sample, conveying current and past roles that were mentioned in interviews, age, gender and ethnicity.

Table 8: Main-study sample demographics

Role	Age	Gender	Ethnicity	Qualification
Chairperson 1	60	M	WB	MBA
Chairperson 2	70	M	WB	Law
Chairperson 3	66	M	WB	NA
Chairperson 4	63	M	WB	Accounting
Chairperson 5	56	M	WB	Accounting
Chairperson 6	62	M	WB	MBA
Chairperson 7	54	M	WB	Accounting
Chairperson 8	64	M	OWB	MBA
Chairperson 9	68	M	WB	MBA
Chairperson 10	64	M	WB	Geography & economics
Chairperson 11	62	M	WB	Engineering
Chairperson 12	61	M	WB	MBA
Chairperson 13	61	M	WB	Accounting
Chairperson 14	54	M	WB	Accounting
CEO 1	56	M	WB	Accounting
CEO 2	53	M	WB	MBA
CEO 3	49	M	WB	Accounting
CEO 4	52	M	OWB	Accounting
CEO 5	62	M	WB	MBA
CEO 6	52	M	WB	MBA
CEO 7	50	M	WB	Economics
CEO 8	56	M	OWB	International relations
CEO 9	54	M	WB	Accounting
CEO 10	58	M	WB	Accounting
CEO 11	64	M	WB	NA
CEO 12	66	M	WB	NA
CEO 13	53	F	WB	Management studies
CEO 14	54	M	WB	Accounting
CEO 15	57	M	WB	Geology
CEO 16	61	M	WB	MBA
CEO 17	50	M	WB	AMP
CEO 18	69	M	WB	Accounting
CEO 19	53	M	WB	Accounting
CEO 20	57	M	WB	MBA
CEO 21	60	M	WB	MBA
CFO 1	53	M	WB	Accounting
CFO 2	54	M	WB	Accounting

Note 1: WB – White British; OWB – Other White Background; AMP – Advanced Management Programme; NA – Not Available.

Note 2: From the 30 individuals who participated in this study five provided their experiences as CEO and chairperson and hence the total number of role experiences is 35 (14 chairpersons and 21 CEOs). Chairperson 6 and CEO 5 correspond to one individual, as does chairperson 3 and CEO 12; Chairperson 1 and CEO 21; Chairperson 12 and CEO 16; and Chairperson 14 and CEO 14.

The research was not interested in particular demographics, however. The focus was in role fulfilment and how participants perceived and responded to tensions in their roles as chairperson or CEO. For example, it was not the aim of the research to ascertain whether females perceived different tensions in their role from males or gave different responses (albeit a valid question for future research). This research was of a more exploratory and general nature, irrespective of sample demographics. However, the demographics were noted as a potential influence on findings: gender, age and homogeneity of background in particular could have a bearing on some of the findings. The age profile of the sample was also quite homogeneous. The average age of participants was 58, with chairpersons being older on average (61.7 years) than CEOs (56 years). Equally interesting to note is the homogeneity of the sample with regards to qualifications. Out of the 32 participants (including the two CFOs), 24 (or 75 per cent) were either chartered accountants (12 individuals, or 43.75 per cent) or holders of a master of business administration (MBA) or similar qualification (10 individuals or 31.25 per cent). The remaining 25 per cent of the sample, representing eight individuals, had qualifications in a range of subjects including economics, geology, international relations and law. It wasn't possible to ascertain the qualifications of two of the participants.

Table 9 presents the spread of the sample according to industry.

Table 9: Sample by industry

Sectors	**N**	**Sectors**	**N**
Manufacturing	5	Telecom	2
Retail	3	Infrastructure	2
Printing & publishing	3	Defense & aerospace	1
Oil & gas	3	Energy	1
High-tech	3	Entertainment	1
Travel & leisure	3	Banking	1
Construction	3	Insurance	1
Broadcasting	2	Consulting	1
Pharma	2	**Total**	**37**

Interviewees reported their experiences as having arisen from 17 different sectors. Although sector was not a large concern in the research design, a spread across sectors, with none clearly dominating, diminishes potential interference of the nature of industry with the findings. The number of sectors reported is greater than the number of interviewees because five individuals (CEOs and chairpersons) discussed a role in a different industry from earlier in their career.

The next section will discuss the data collection procedure in the main study, discussing further the conduct of elite interviewing.

3.7.3 Main study: elite interviewing

Elites – business, political or others – are often described as disliking (to the point of refusal) being straitjacketed by a predetermined, sequential ordering of questions (Aberbach and Rockman, 2002; Kincaid and Bright, 1957).

The use of open-ended questions is recommended when there is a requirement to probe for information, when there is little previous research on the topic, and when it is important to give interviewees maximum flexibility in elaborating their responses and engage in wide-ranging discussions (Aberbach and Rockman, 2002; Kakabadse and Louchart, 2012). It enables the interviewer to perceive contextual nuances and *"probe beneath the surface of a response to the reason and premises that underlie it"* (Aberbach and Rockman, 2002:674). Open-ended questions lend the elite interview more of a conversational tone, and often the order of questions is not observed (Aberbach and Rockman, 2002; Kakabadse and Louchart, 2012).

Having decided to conduct these interviews using open-ended questions, they began by asking benign questions about the interviewees' background and career achievements, which are often regarded by experienced elite interviewers as a good way to start the conversation (Aberbach and Rockman, 2002; Kincaid and Bright, 1957). The researcher began to note particular experiences and histories where the respondent had been involved as either CEO or chairperson and gently invited the participant to elaborate on his/her role in that story. As the narrative progressed, the researcher posed further open-ended questions, probing particular aspects. Bearing the interview themes in mind, the researcher would frame the questions "on the spot" rather than relying on a predetermined list.

However, there are risks associated with the use of open-ended questions. As Berry (2002) notes:

> *… open-ended questioning – the riskiest but potentially more valuable type of elite interviewing – requires interviewers to know when to probe and how to formulate follow-up questions on the fly. It's a high-wire act.* (Berry, 2002:679)

In conducting interviews in this way there is a recognised trade-off between *"the advantages of conversational flow and depth of response and the disadvantages of inconsistent ordering of questions"* (Aberbach and Rockman, 2002:674). Such costs often come in the form of an increased difficulty in producing "an analytical elegant end product", by making coding and analysis more problematical (Aberbach and Rockman, 2002:674).

The reality, and the crux, of conducting effective elite interviews that lead to valid and reliable information is poignantly and simply expressed by Berry (2002:679): "*the best interviewer is not the one who writes the best questions. Rather, excellent interviewers are excellent conversationalists*." This assertion is corroborated by the present study.

Preparation for the interviews, the way the researcher presented himself and how he used the information obtained from public sources to engage the participant were critical aspects. The researcher attempted to engage in "natural" and well-informed conversations with all participants—"natural" meaning that the flow of the conversation, its twists and turns, and the use of public episodes involving the participant were blended into the flow of the discussion in such a way that the participant would not discern previous preparation, but rather confidence, knowledge and genuine interest from the researcher. There was a clear learning curve from the initial interviews through to the end of data collection. At first, the researcher was understandably less confident and indeed slightly nervous, but by the fourth interview was beginning to grow both in confidence and skill.

A number of "traps" await those conducting elite interviews. According to Berry (2002), there are three possible pitfalls: i) one or more participants who are more persuasive than the rest shaping the dominant understanding of the interviewer; ii) bias of the responses towards the corporate viewpoint and; iii) an exaggeration by respondents of the importance of their roles (Berry, 2002). In fact, on some occasions it was felt that participants were partially acting as "corporate spokesmen" (Kincaid and Bright, 1957). Others might have either slightly exaggerated or downplayed their roles. Certainly, some were more persuasive and articulate, or by dint of more extroverted personalities made their points all the more convincing. The researcher aimed to control such factors through additional questioning (for example, asking who else was involved and contributed) or by asking questions that the researcher already had information about (for example, issues that emerged from previous interviews describing similar aspects or information in the public domain).

Another issue with elite interviewing concerns retrospective accounts, which are prone to limited and imperfect recall, issues of espoused theories in reconstructing the past, hindsight bias, attribution errors and over-response (Huber and Power, 1985). But researchers agree that by far the largest cause of inaccuracy is inadequate elicitation of data (Huber and Power, 1985:173), an issue that has been appropriately addressed in this study, as explained in this section.

On balance, the data collected during the interview process was found to comprise reliable and valid accounts of participants' experiences as chairpersons and CEOs.

3.7.4 Data analysis

Data analysis employed thematic analysis techniques as discussed in **Section 3.4.10** in this chapter. The next sections outline in more detail the steps taken by the researcher in the analysis of the full interview data as well as some of the issues encountered.

3.7.4.1 Transcription of interview data

The interviews lasted 60 minutes on average, with a few lasting less (45 minutes) and others lasting up to 90 minutes. Interviews were tape-recorded for accuracy and following the interviewees' consent.

The interview material was subsequently transcribed by a professional transcriber into Microsoft Word documents, with a code attributed to each document (**Appendix 3**: Interview transcript example). The transcription preserved interruptions, pauses, silences, laughter and the participants' reactions to questions. These procedures are in line with past studies using qualitative interviews (e.g. Kakabadse and Kakabadse, 2007; Smith, 2014).

The next section discusses the analysis procedures undertaken.

3.7.4.2 Applying thematic analysis

The thematic analysis undertaken in this study was developed through five stages which are briefly outlined in Figure 4.

Figure 4: Thematic analysis procedures

PHASE 1 **DATA IMMERSION**	- Read full transcripts several times - Separate data for chairperson and CEO roles - Compose thick descriptions by role
PHASE 2 **FIRST-ORDER CODING**	- Theory-driven coding for demands, constraints and choices as per the guiding theory (Stewart, 1982) and for "supports" (added by the researcher) - Open coding for data not fitting role theory categories (tensions, contradictions…)
PHASE 3 **SECOND-ORDER CODING**	- Apply selective coding to "first-order codes" identifying main categories across demands, choices, constraints, supports, tensions - Generate second-order sub-themes
PHASE 4 **DEVELOP THEMES**	- Compare sub-themes, establish relationships between sub-themes and develop overarching themes - Name the themes
PHASE 5 **DEVELOP** **PROPOSITIONS**	- Analyse the relationship between the themes - Develop the theoretical propositions - Construct the model

Source: Compiled by the author.

Although they appear linear, these five steps were subject to numerous iterations especially between phases 2, 3 and 4. Each of these steps is detailed below.

i) Immersion

Transcripts were read several times and side notes taken. A résumé of each interview was developed with the main ideas and key points in order to build a first impression of the dataset. Transcripts were separated into two groups: individuals who discussed their role as chairperson and individuals who discussed their role as CEO. While the initial idea was to collect more than one role experience as chairperson and/or CEO per individual, only five individuals provided more than one meaningful account from different role experiences. Most individuals provided in-depth information of their experience in one role as *either* CEO *or* chairperson. Some mentioned other experiences only briefly, but, other than the five mentioned, they lacked the breadth and depth to allow for any meaningful coding. These hints about other experiences were discarded in order to ensure the coding was done for a meaningful and complete set of data about role experiences. The final dataset included 14 chairperson role accounts and 21 CEO role accounts from 30 participants, plus two additional accounts from CFOs who had worked with two of the CEOs in the sample. Previous studies have used similar data transcription and immersion procedures (e.g. Kakabadse, Kakabadse and Barratt, 2006; Smith, 2014).

ii) First-order coding

First-order coding was developed using Stewart's (1982) Demands–Constraints–Choices (DCC) model of roles. Chairperson and CEO role experiences were coded for *demands* (i.e. requirements to do certain types of work and satisfy certain criteria); *constraints* (e.g. individual, interpersonal and contextual elements such as resource limitations, legal norms and regulations, the extent to which work is defined, and attitudes of other people in the boardroom which may constrain directors from attending to the role's demands); and *choices*, such as the amount of time directors choose to devote to the demands of the role, which aspects of the work to do or delegate, and boundary management. In addition, the data was coded for *supports* (elements that support or enable role incumbents to overcome constraints, work through demands or make particular choices). Role theory has been used in past studies in a similar manner (e.g. Kakabadse and Kakabadse, 2007).

Employing an existing theory for code development is the most commonly used approach in social science and is termed appropriately theory-driven code development (Boyatzis, 1998; Glaser, 1978). Yet the purpose of using role theory in this study was not to test the theory, but rather to allow a common frame within which to look at inductively collected data, ensuring, at least for the initial coding, a consistent approach to analysis that could yield greater reliability and validity. Armed with the concepts of role demands, constraints, choices and supports (the last concept added later), the researcher was able to ensure better inter-coder reliability. Although a second coder was not employed formally, discussions with colleagues and especially with supervisors provided ongoing confidence about the reliability of the coding process being followed. The use of pre-existing codes and themes along with a search for new codes and themes in the data is an approach advocated by proponents of framework analysis (Ritchie, Spencer and O'Connor, 2003) and template analysis (King, 2013). In reality, what is called open coding (Glaser, 1978; Strauss and Corbin, 1990) is often used in thematic analysis and this was the case in the present study. As Gibbs (2007:46) puts it, "*these two approaches to generating codes are not exclusive. Most researchers move backwards and forwards between both sources of interpretation during their analysis.*"

iii) Second-order coding

Second-order coding procedures focused on aggregating demands, constraints, choices and supports within and between roles by identifying core categories to form higher-level sub-themes. This process is often described as selective coding (Glaser, 1992). Similar techniques entailing first- and second-order coding have been used in past research: for example, studying the management of paradoxes of innovation (Andriopoulos and Lewis, 2009).

iv) Develop themes

The different codes were refined and combined according to observed regularities in the data. Higher-level themes were formed as a result. For example, one theme that emerged across the data was that of the interplay between the chairperson and CEO roles. Many of the constraints, demands, choices and supports for both chairperson and CEO roles that emerged related to the higher-level phenomenon of "chairperson–CEO role relationship" which through further refinement of the data was labelled "chairperson–CEO role boundedness" and became one of the higher-level themes. **Figure 5** illustrates the application of the thematic analysis for Theme II, "Chairperson and CEO roles: role boundedness". Thematic analysis, in a grounded approach style, has been used in similar studies examining the relationship between CEOs and chairpersons (Kakabadse, Kakabadse and Barratt, 2006). An overview of the coding structure arrived at using the NVIVO 10 software can be found in **appendix 4**.

Figure 5: Example of Theme II formation – "Chairperson and CEO roles: role boundedness"

INTERVIEW TRANSCRIPTS (raw data)

FIRST-ORDER CODING (theoretical and open coding)

DCC model	Chairperson	CEO
Demands	• Establish a working relationship with the CEO (…)	• Establish a working relationship with chairperson and keep him/her informed (…)
Constraints	• CEO behaviour • Lack of independence • Lack of industry experience • Boundary delineation (…)	• Board behaviour • Board composition • Chairperson behaviour • Boundary delineation • Shareholders', analysts' and investors' behaviour (…)
Choices	• When to challenge, advise, partner or buffer the CEO • When to set stricter boundaries • Levels of communication (…)	• Frequency of communication and information to the chairperson • When to take chairperson's advice, and challenge (…)
Supports (added)	• Relationship with the CEO • CEO behaviour (…)	• Relationship with the chairperson • Chairperson as buffer, adviser, counsel and partner (…)

SECOND-ORDER CODING (selective coding)

Sub-theme I: Chairperson–CEO relationship qualities

- Chairperson time to devote to role and relationship trust
- Complementary skills, experiences and perspectives

Sub-theme II: Role boundary delineation

- The extent to which the chairperson enters into CEO territory and in which areas is this seen as legitimate.
- The more or less negotiated process ranging from normative to contextual boundary delineation

Sub-theme III: Chairperson role in relation to CEO

- Chairperson as a buffer
- Chairperson as adviser and counsel
- Chairperson as a partner

THEME DEVELOPMENT

THEME II: Chairperson and CEO roles: role boundedness

PRESERVATION OF FORMATIVE CONTEXT

v) Develop propositions and the theoretical model

At this stage relationships are proposed between the themes and codes, forming an empirical model for future testing. This model is laid out and discussed in **Chapter 5**.

The next section reflects on potential biases that the researcher could introduce into the interpretation and analysis of the data.

3.7.4.3 Researcher bias

As Boyatzis asserts, reliability in the use of thematic analysis is down to *"consistency of judgement, not verification, which is a purely positivistic notion"* (Boyatzis, 1998:144). The process undertaken in this study – exploring chairpersons' and CEOs' responses to strategic tensions: that is, understanding what tensions individuals occupying these roles perceive and what meanings and responses they produce – required substantial interpretation by the researcher, necessitating consistency of judgement. Although this was controlled by employing a guiding theory and having rounds of discussions with supervisors experienced in the art of interpretation, there is always the danger that any judgement is susceptible to researcher bias (i.e. because of mind-set, preconceptions, experiences, etc.). The work of the interpretative social scientist is inevitably prone to bias arising from the researcher's involvement and construction of meanings in the analysis stage. Efforts were made throughout the development and implementation of the methodology such that the research design would keep the potential for bias to a minimum, as well as ensuring personal discipline in adhering to ethical standards related to a focus on evidence and preservation of the "original meaning and context" of the interview material.

3.8 Chapter summary

This chapter has presented the methodological choices made by the researcher in an attempt to explore chairpersons' and CEOs' responses to strategic tensions. A qualitative, exploratory and inductive methodology was proposed. The researcher's efforts in selecting suitable participants were outlined and the process of conducting elite interviews with participants explained. Further, the use of the DCC model of roles (Stewart, 1982), as a lens through which to look at role experiences, was presented, along with a detailed explanation of the thematic analysis undertaken. Examples were given where appropriate.

Chapter 4, next, presents detailed results of the thematic analysis undertaken which are simultaneously discussed in relation to relevant literature.

Chapter 4

ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussion arising from the application of Stewart's (1982) Demands–Constraints–Choices (DCC) model of roles to the roles of chairperson and chief executive officer (CEO) as detailed in Chapter 3. It aims to offer a logical and clear progression, and a discussion of findings, by identifying four overarching themes:

Theme I. Chairperson and CEO roles: perception of business context and competing demands;

Theme II. Chairperson and CEO roles: role boundedness;

Theme III. Chairperson role: leading the board in order to deal with strategic tensions;

Theme IV. CEO role: strategic behaviour.

These themes are subsequently organised into sub-themes, which emerged from the in-depth analysis. While the analytical process was essentially inductive, from data to codes, codes to sub-themes and then to themes, this chapter starts with the themes in order to demonstrate a logical chain of evidence leading to theme formation. The themes are discussed against relevant literature which is necessarily drawn from different disciplines and theories supporting the aspects under investigation and informing further discussion. Each theme is an integral and important part of this thesis exploring how chairperson and CEO roles respond to strategic tensions.

4.2 Role analysis

This chapter also presents an analysis of data from semi-structured interviews designed to answer the research question: how do those fulfilling CEO and chairperson roles respond to strategic tensions? Participants were asked to speak of instances in their careers when they faced tensions while acting as chairperson or CEO. The research benefited from some interviewees offering a chief financial officer (CFO)'s perspective, thereby giving a more objective view of a CEO's performance.

Role analysis of both CEO and chairperson was undertaken based on the Demands–Constraints–Choices (DCC) model developed by Rosemary Stewart (1982). It identifies the nature of the perceived demands, constraints and choices for each role, as well as the elements of support on which these roles draw. *Demands* are the elements of the role essential for any incumbent in order to remain in the role. *Constraints* refer to the personal, interpersonal and contextual elements that constrain action in meeting these demands. Examples include resource rigidity or scarcity, time, regulatory and legal aspects, as well as attitudes of others. *Choices* refer to the spaces left for choice: what work is undertaken in face of the demands and constraints, what to prioritise, what to delegate, and, importantly, how to do the work. Choices also imply what emphasis to place on certain aspects of the role and attendant boundary management (Stewart, 1982). A further dimension of role analysis has been added to capture elements that are not adequately covered by Stewart's three dimensions. Roles often have *supports*: that is, elements that enable the incumbent to overcome constraints, work through demands and/or make particular choices.

4.3 Theme development

The analysis revealed a number of patterns and trends that ultimately led to four overarching themes. The first theme discusses the business contexts within which CEOs and chairpersons perceived competing demands while fulfilling their roles (**Theme I. chairperson and CEO roles: perception of business context and competing demands**). The second focuses on the various elements that comprise the interplay between the roles of chairperson and CEO and its bounded nature (**Theme II. chairperson and CEO roles: role boundedness**). This includes elements of CEO role constraint such as non-executive director (NED) and board behaviour, and shareholder and market pressures, as well as demands made of a chairperson such as experience and independence of thought and behaviour. Importantly, this theme discusses relationship qualities, boundary management and different roles the chairperson might play in relation to the CEO. The third theme discusses aspects of the chairperson's role (demands and choices) where the incumbent holds substantial discretion **(Theme III. Chairperson role: leading the board in order to deal with strategic tensions)**. These include board composition and engagement, board debate, contribution and dynamics, and board contribution to strategy. The last theme deals with strategic behaviour focusing on demands and choices within the CEO role in relation to top management team composition and dynamics, strategy development, structure and communication and alignment (**Theme IV. CEO role: strategic behaviour**). **Table 1** provides an overview of the themes and sub-themes.

Table 10: Summary of themes

Themes	Sub-themes
4.4 Theme I. Chairperson and CEO roles: perception of business context and competing demands	**4.4.1** Perceptions of business context: **4.4.1.1** Economic and financial crisis; **4.4.1.2** Technology change; **4.4.1.3** Far-reaching regulatory change. **4.4.2** Competing demands: **4.4.2.1** Strategic competing demands of restructuring and growth; **4.4.2.2** Strategic competing demands of exploitation and exploration; **4.4.2.3** Role-based competing demands of operational and strategic work; **4.4.2.4** Role-based competing demands of diversity of thinking and unity of action;
4.5 Theme II. Chairperson and CEO roles: role boundedness	**4.5.1** Chairperson–CEO relationship qualities **4.5.2** Managing role boundaries **4.5.3** Chairperson role in relation to the CEO **4.5.3.1** Chairperson role as a buffer **4.5.3.2** Chairperson role as counsel and advisor of the CEO **4.5.3.3** Chairperson role as partner of the CEO
4.6 Theme III. Chairperson role: leading the board in order to deal with strategic tensions	**4.6.1** Determine and manage board composition **4.6.2** Ensure adequate board engagement **4.6.3** Managing board debate, contribution and dynamics **4.6.4** Board as contribution to strategy
4.7 Theme IV. CEO role: strategic behaviour	**4.7.1** Top management team (TMT) size, composition and dynamics **4.7.2** Strategy formulation **4.7.3** Organisational structure redesign **4.7.4** Strategy communication and alignment

Source: compiled by the author

In the following sections the four themes will be discussed against relevant literature with the support of evidentiary quotes drawn from the interviews.

4.4 Theme I. Chairperson and CEO roles: perception of business context and competing demands

Chairperson and CEO role analysis reveals that the two roles are subject to similar strategic tensions. CEOs and chairpersons perceived competing strategic demands and tensions arising from three general contexts: i) technological change; ii) external economic and financial shocks; and iii) far-reaching regulatory intervention. These contexts were characterised by high uncertainty, complexity, instability, and resource scarcity. Within these contexts, competing demands of *exploration and exploitation* and *restructuring and growth* were perceived by both CEOs and chairpersons. Within their respective roles further tensions were revealed. CEOs noted tensions between *operational and strategic work*, and both CEOs and chairpersons pointed to the demands of *ensuring diversity and debate while maintaining unity and cohesion* in the top management team and the boardroom, respectively.

This section discusses the contexts and nature of these competing strategic demands and tensions, providing evidentiary data from both chairperson and CEO interviews.

4.4.1 Perceptions of business context: technology change, economic recession, financial crisis and regulatory change

Data analysis shows that CEOs and chairpersons perceive and experience tensions in the contexts of poor organisational performance driven by economic recessions, technological disruption and far-reaching regulatory changes. In the contexts of high uncertainty, instability, complexity, low munificence and resource scarcity, tensions emerge because the organisational consensus at the top of how to survive, compete and grow is no longer valid in the face of a new set of circumstances. In this sense, tensions emerge as a consequence of a misfit between the organisation and its environment, and how this misfit is perceived by different stakeholders of the organisation. Tensions emerge when it becomes evident that the old consensus upon which the organisation is governed and managed is no longer valid. Forging a new consensus – i.e. articulating a purpose and asserting where the competitive advantage lies – that is able to accommodate the tensions triggered by environmental changes is a difficult process.

This section therefore analyses and discusses CEOs' and chairpersons' perception of external organisational environments and the perceived competing strategic and role-based demands that arise. Both CEO and chairperson roles include global mandates with the responsibility of assessing the external environment and make sense of the strategic challenges facing the company. By being at the strategic apex of the organisation, the CEO operates at the boundary between the organisation and the external environment (Thompson, 1967) with important and undisputed boundary-spanning responsibilities (Mintzberg, 1979; Finkelstein, Hambrick and Cannella, 2009). Likewise, the chairperson role has often been depicted as one that demands scanning and interpretation of the external environment (Kakabadse and Kakabadse, 2007; Dulewicz, Gay and Taylor, 2007). Even back in the 1990s the public-company chairperson role in the UK was shown to be crucial during corporate renewal, scanning the external environment and setting the strategic vision for the organisation (Parker, 1990). How CEOs and chairpersons make sense of the external environment is thus of critical importance in how they carry out their role in terms of their choices and actions concerning top management team (TMT) size and composition, strategy, structure and governance processes, among others (Finkelstein, Hambrick and Cannella, 2009; Miles et al., 1978; Daft and Weick, 1984; Child, 1972).

I now turn to a discussion of the general business contexts that emerged from the analysis.

4.4.1.1 Economic recession and financial crisis

CEOs and chairpersons in this study reported the emergence of strategic tensions arising in contexts of economic recession and financial crisis. Perceptions of the external environment revealed high levels of uncertainty, instability, low munificence (Starbuck, 1976) and resource scarcity (Smith and Lewis, 2011). All the experiences of CEOs and chairpersons in this study were of organisations facing dramatic downturns in performance, where their very survival – to different degrees – was in question.

For example, the CEO of a telecom company explained how the 2008 financial crisis brought uncertainty to the business and exposed a number of company weaknesses.

> *I came June 2008 and I think the financial crisis had hit a couple of months before that. So we were still going through but we're going through massive liquidity because back, if you remember, it didn't sort of, it wasn't just one day, it sort of unfolded and every, you knew almost … the challenge … there was a global recession.* (CEO 3)

Similarly, the CEO of a construction company explained how the 2008 banking crisis hit the company quickly and continued to do so, also bringing uncertainty (and tensions) about what to do to adapt the organisation to the new set of circumstances.

> *… the collapse of mortgage lending in the UK and the effects it had on the housing market. So we weren't responsible for the banking crisis but we were incredibly heavily affected by it, and it happened overnight. They didn't know how far it was going to go and whether it would stop and, of course, actually contagion made it just get worse and worse and worse so April was the point where the banks just basically said: that's it, we're not really lending any*

> *more. We didn't know how deep it would go. We didn't know what that was going to do.* (CEO 1)

The chairperson of a large bank emphasised the unpredictability of the 2008 financial crisis as well as the huge uncertainty of the extent and impacts of the crisis within the industry and on the bank, referring to it as "completely unchartered territory", and spoke of an inability to understand what needed to be done.

> *The credit crunch happened slowly with increasing intensity and that – I take no embarrassment in saying – I didn't see it coming, because no one saw it coming, which was the problem. But, actually, one thought that the world was a safer place, because they had experienced 15 years of almost uninterrupted economic growth. Well, it just kept getting worse, and the terrifying thing was: nobody could see the bottom and no one could see the bottom, and – I'm mixing my metaphors – we were in completely uncharted territory: no one had been through this before so no one knew what to do – they really didn't.* (Chairperson 9)

These examples show how the 2008 financial crisis and economic recession that followed brought enormous uncertainty to both CEOs and chairpersons. Thompson (1967:159) described dealing with environmental uncertainty as the fundamental problem with which top managers must cope. Environmental uncertainty "can be experienced by an organisation's administrators as they try to understand, make sense out of, and respond to conditions in the external environment" (Milliken, 1987:133). Data reveals that both CEOs and chairpersons perceived high levels of uncertainty of state (incomplete understanding of how components of the environment are changing and interrelate), effect (the predictability of the impact on the organisation) and response (lack of knowledge about what to do as well as about the consequences of choice and action) (Milliken, 1987:136). Moreover, the unfolding and unique nature of the crisis ("completely unchartered territory" [Chairperson 9]) challenged CEOs' and chairpersons' interpretation of events. Some scholars have argued that sense-making processes of scanning (i.e. collecting information), interpretation (giving meaning to data) and learning (action taken) become blurred and feed back on each other under circumstances of high uncertainty where action is a primary concern (Daft and Weick, 1984; Thomas, Clark and Gioia, 1993). In such cases of high equivocality (Daft and Weick, 1984) and uncertainty (Milliken, 1987), role incumbents engage in substantial sense-making activity, often taking actions in order to test the boundaries of the environment that generates the required information for continued sense-making (Daft and Weick, 1984). For example, one chairperson reported writing a joint letter with the CEO to the investor community stating that they were confident they had enough liquidity to weather the crisis, with a view to reducing uncertainty and generating environmental feedback to inform further action (i.e. more confidently pursue different forms of capital raising, or negotiate better terms with authorities such as the regulator or the Bank of England). CEOs' and chairpersons' perceptions amid the 2008 financial crisis indicated "no clear way to engage with the world" which led to explicit efforts of sense-making and environmental enactment (Weick, Sutcliffe and Obstfeld, 2005). However, as Child (1997:54) noted, "the environment has properties which cannot simply be enacted by organisational actors, albeit some properties might be negotiated through social interaction between actors and external contacts". Taken together, evidence suggests that, in fact, quasi-legal constraints and powerful outsider forces limit the extent to which CEOs (and chairpersons) can enjoy latitude of action (discretion), and therefore the extent to which they can enact their environment (Hambrick and Finkelstein, 1987).

4.4.1.2 Technology change

A large number of CEOs and chairpersons from a variety of sectors also reported how environments characterised by high rates of technological change caused substantial uncertainty and threatened the very survival of their companies. Although many of these events exposed other fragilities or were coupled with economic recessions, such environments appear to comprise what some scholars describe as "technological discontinuities" (e.g. Tushman and Anderson, 1986; Tushman and Rosenkopf, 1996). The rate at which a technological change occurs (Dess and Beard, 1984) emerges as a critical factor in determining responses to developing tensions.

Technological discontinuities have been shown to dramatically increase uncertainty (Tushman and Anderson, 1986; Dess and Beard, 1984). However, very high rates of technological change appear to reduce the perceived choices available to CEOs and chairpersons. Such environmental conditions were evident in interviews with chairpersons of music, entertainment and traditional print businesses, as well as with CEOs of retail, electronics and even utilities.

One chairperson of a large music and entertainment company explained how the pace of technology disruption to the existing business model was so swift that it rendered much of the transformation of the company difficult to achieve.

> *one of the great learnings for me in my time, short period, not to the end of its life, but short period as chairman of [company A], was actually to come across a company where the speed of change in the market [driven by digital technology] was so swift that actually there probably was no immediate answer other than a route through administration.* (Chairperson 4)

The chairperson of a traditional print business explained how digital disruption, economic recession and high financial leverage combined to make the task of transforming the company very challenging.

> *Declining EBITDA from a traditionally declining print business, a business that turned down heavily in a recession and the debt constant so it equals a big problem.* (Chairperson 7)

In the examples provided, the rate of technology disruption meant that quickly diminishing cash flows didn't allow resources to be reallocated to grow the business with new requirements in terms of skills, structure and so on. In such companies, technology disrupted both the products and distribution of the traditional business, sales dropped dramatically, and the transition to a digital-based business model became impossible. High financial leverage and organisational constraints further complicated the job for CEOs and chairpersons.

Other examples, although still depicting digital technology disruption as very challenging, pointed to a lower rate of disruption. In such cases, there was still demand for the existing business, which was declining at a lower rate, allowing the necessary time and resources to plan the transformation into digital.

> *… very challenging going from print publishing houses to a digital content services company, so it's a challenge.* (Chairperson 2)

> *the business a) hadn't grown for years, b) did not seem able to come to terms with the strategic onslaught of a web world, of an electronics environment … so the challenge there was that the business thought it was quite good – and indeed it was – and so convincing an organisation that they would be strategically gobbled up and helping them understand how we needed to convert to a web environment is harder when a business already thinks it's pretty good.* (CEO 13)

The CEO of a large food retail business placed tensions in the context of digital technology disruption from different players, talking about uncertainty about the future in terms of the evolution of the competitive landscape and the growth of the new online businesses.

> *You've got too much space and too many players, so you've got the perfect storm. And online is the big thing. If you get it right you could be successful and – I do – I believe that 40% of all sales could be online and groceries over the next 20, 30 years – yes I do.* (CEO 11)

The CEO of a large energy company described the environment as highly unstable, with the company experiencing the emergence of a variety of technologies that brought uncertainty and complexity to the business and, with them, questions about how to compete and prosper.

> *Well I would say that the industry – until around 2000, that sort of era – was effectively steady-state. You could predict broadly what might happen two years out from what was happening in the last two years, but then you had a whole series of things starting to happen. You had a policy discontinuity ... decarbonisation thrust upon the industry; there was the discontinuity in industrial technology. Coal technology was moving forward, you've got wind turbine, and suddenly you had technology choice. You had DC cable, so suddenly, from a technologically moribund industry, suddenly there was a lot more technology – and I'm talking about here about hard metal technology ... You then got the digital technology also affecting how customers started to think about energy.* (CEO 19)

These examples highlight the resistance to, and difficulty in, breaking the old consensus in the company, thus emphasising the effect of organisational factors.

4.4.1.3 Regulatory change

CEOs and chairpersons also mentioned contexts of far-reaching regulatory change as being conducive to uncertainty, complexity and tension. Regulatory intervention may force companies to change and restructure in order to adapt to a new competitive environment.

> *… the government had decided to pull forward the opening-up of the market to competition by ten years, which meant that the company had three years to get itself ready to be a sharp commercial operation.* (CEO 18)

> *… there was substantial pressure on budgets in European markets, given what was already a difficult economic climate, because we appointed him in 2008, and was going to get worse. Our own outlook for Europe was significantly more pessimistic than the Europeans, and I think has been validated by what has happened since. Healthcare budgets around the world are under pressure: we didn't feel that the US pricing model was going to be long-term sustainable. The ObamaCare was just emerging as a way forward, but fundamentally ObamaCare was about a trade-off for lower prices against better coverage and more people being captured, and we weren't necessarily convinced that there would be more people captured; but nevertheless lower pricing was going to change the environment.* (Chairperson 3)

CEOs and chairpersons elicited contexts where the old business assumptions may no longer be valid, generating tensions about how to interpret the new environment and what actions would enable them to survive and prosper. These contexts were threefold: a) a context of economic recession and global financial crisis; b) a context of technological change that disrupts to different extents existing competitive advantage; and c) a context of regulatory change that disrupts industry structure and competitive dynamics. These contexts are characterised by uncertainty, instability and complexity that change the pre-existing consensus about the business environment and the strategic direction of the company, and bring to the fore particular strategic and role-based demands.

4.4.2 Competing strategic and role-based demands

The need to identify and manage competing strategic demands emerged as a key challenge for both chairpersons and CEOs. Role incumbents often perceived competing demands of: i) restructuring and growth; ii) exploration and exploitation; as well as the role-based demands of iii) operational and strategic work; and iv) diversity of thinking and unity of action. These are discussed below.

4.4.2.1 Competing strategic demands of restructuring and growth

CEOs and chairpersons in this study perceive competing demands between the need to restructure the business to cope with either an economic slowdown, a technology disruption or regulatory change, and the need to grow the business in order to improve company performance and remain competitive under a new set of circumstances. Scholars often refer to these as paradoxes, defined as "contradictory yet interrelated elements that exist simultaneously and persist over time" (Smith and Lewis, 2011:382). Since paradox is perceptual and socially constructed (Lewis, 2000), this thesis expected to reveal CEOs and chairpersons describing such competing demands as paradoxical. However, this is not borne out by the data. Upon examination of the evidence, this thesis takes the view that CEOs and chairpersons perceive these demands as interrelated and difficult (and therefore not as paradoxes).

Studies on corporate turnarounds explain how CEOs (and chairpersons) face competing demands of retrenchment and recovery, here referred to as restructuring and growth. CEOs and chairpersons in this study have all described situations that fit a definition of corporate turnaround. A corporate turnaround can be defined as a dynamic process that aims for the recovery of an organisation's performance after a period of life-threatening decline (Boyne and Meier, 2009; Pearce and Robbins, 1993). Turnaround literature posits that CEOs, and other top roles including chairpersons, often face competing strategic demands of retrenchment and recovery (Martin and Kimberly, 2008; Morrow, Johnson and Busenitz, 2004). This is confirmed in the following interviews with CEOs whose firms were facing environments characterised by economic recession.

> *So we cut as deeply as we thought we could, but of course we also knew that there would be a demand for houses at some stage in the future; so you were trying to get as far down as you could but retain the capability to grow again.* (CEO 1)

> *But the strategic issues here were how to get yourself out of a situation rather than long-term strategic evolution of the company. For the company, that was a little bit too advanced, although later on I had tried to address it.* (CEO 2)

> *By creating the space in terms of the cost transformation programme, we were able to say to the board, and to the outside world: we will carry on delivering profit growth; it might be one year it's flat or something, but we're not asking you to take any risk in terms of macro, because we'll pay for it with the cost transformation we're doing.* (CEO 3)

The above excerpts from three CEOs illustrate the tensions between restructuring (which reduces capacity, costs and risks and requires discipline) and growth (which increases capacity, costs and risks and requires creativity and strategic thinking). We may see CEOs addressing these competing demands sequentially, prioritising retrenchment over recovery (Filatotchev and Toms, 2006; Lohrke, Ahlstrom and Bruton, 2012), while others do it concurrently (Martin and Kimberly, 2008; Morrow, Johnson and Busenitz, 2004). Moreover, turnaround literature links the decision about whether to address these competing demands sequentially or concurrently to external conditions (i.e. economic problems, technology, competitive and societal change) and internal conditions (i.e. lack of operating controls, over-expenditure, excessive financial leverage and top management) affecting the firm (Filatotchev and Toms, 2006; Pajunen, 2005). Additionally, the severity of decline has also been found to influence how CEOs perceive competing retrenchment–recovery demands and their approach to the turnaround effort (Schendel, Patton and Riggs, 1976).

One chairperson explained the difficulties of handling the competing strategic demands of restructuring and growth posed by high rates of technology disruption.

> *I think the difficulty often is that the skills needed for the new part are so profoundly different and the cash-flow characteristics of what you're creating are so profoundly different. So, for example, if you look at what are seen as successful businesses that have undermined a company like ours, like [company A], I doubt that [company A] is yet making profits. I think there are very few traditional companies that have actually managed to turn their business model on their head and say the characteristics are going to be profoundly different. In fact, we did invest in what is probably the second most successful digital music platform, but it was dwarfed by the issues in the legacy business.* (Chairperson 4)

Other chairpersons described similar situations and talked about how the existing structure and culture often severely constrain the ability to grow successfully.

> *So, well, the challenges obviously were a declining level of EBITDA, massive level of debt and internal cultural resistance to change – because most of the people in the business were heavily steeped in print and not really digitally savvy. The resistance was more in the sales force who simply didn't have the skill sets to sell digital products. They didn't have the knowledge. They didn't understand what they were, and selling a book is quite different from selling a website. More complicated. It requires a different type of knowledge; and*

> *you can retrain maybe 20% of the sales force, but in effect we had to recruit a new sales force. There's also massive turnover in the sales force. There's – the churn in the sales force is about 20% per annum so that creates its own issues. Another problem was that the business had been run geographically so we had different practices and different IT systems, different products, different pricing structures … whereas the digital world in effect knows no geographic boundaries.* (Chairperson 7)

This section has provided some evidence of how CEOs and chairpersons often perceive competing strategic demands of restructuring and growth, triggered by events in the external environment such as technological change, economic recession and financial crisis, and regulatory changes. How CEOs and chairpersons manage and respond to such strategic competing demands is discussed in **Themes II, III** and **IV** later in this chapter.

4.4.2.2 Competing strategic demands of exploitation and exploration

In contexts of resource scarcity and high uncertainty, latent strategic tensions become more salient (Smith and Lewis, 2011) as each business unit seeks to compete for scarce organisational resources and CEO attention. In addition to perceptions of restructuring and growth, many CEOs and chairpersons referred to strategic tensions between business units dedicated to exploitation (e.g. commercial, production and distribution of existing products) and exploration (i.e. developing new, innovative products, markets, etc.). Exploitation has been conceptualised as the pursuit of "refinement, efficiency, selection and implementation", whereas exploration includes activities aiming for "search, variation, experimentation and innovation" (March 1991:1). Such tensions have historically been viewed in different ways. Contingency theories of organisation point to the role of the CEO as the ultimate dispeller of tensions between departments and units for which external environments create differences in terms of goals, structure, time span and culture (e.g. Lawrence and Lorsch, 1967; Galbraith, 1973). The ability of an organisation and its leaders to effectively balance and handle both exploration and exploitation has subsequently emerged under the concept of "ambidexterity" (e.g. Tushman and O'Reilly, 1996; Raisch et al., 2009; Smith and Tushman, 2005) and continues to attract a lot of attention. There have been numerous studies focusing on the role of the CEO in managing ambidexterity, proposing different structural (O'Reilly and Tushman, 2004), contextual (Birkinshaw and Gibson, 2004) and leadership practices (Tushman, Smith and Binns, 2011) to effectively handle these tensions for organisational success. These tensions are illustrated in the interviews with both CEOs and chairpersons.

The CEO of a media and entertainment business undergoing restructuring described tensions between the "creative" side of the business (which requires freedom, creativity, exploratory behaviour, where failure needs somehow to be tolerated and the horizons are often long-term) and business units dedicated to production and distribution (which require discipline and efficiency, where failure is not tolerated and the focus is very short-term).

> *… if you look at what is the fundamentals of the business: that is, you create a show, you produce a show, you sell it; you produce it and then you exploit it. That is basically the sort of model that [the company] has. The company is still, I would argue, the best company in the field, is still the most creative company. It is still the best production company. Where it needs to learn is to also become the best exploiting company of its field. There is a natural tension between the production side, the creative and production side of the business, and [the] company's worldwide distribution division.* (CEO 4)

The CEO of a telecom company described a similar tension between the R&D division and the sales division.

... you had all of the salespeople fielding enquiries from all the carriers around the world, screaming and yelling at the R&D people about how they couldn't deliver enough product; and the R&D people, similarly, didn't have the resources to do it with, so it was also a question of defusing the emotions that were there. It was getting – the sales side was basically Swedish-led, the R&D side was basically Japanese-led, and it was turning into this. (CEO 5)

In a high-tech company undergoing restructuring, the CEO described tensions between the R&D and sales divisions in terms of short- and long-term horizons and perceived competing objectives.

... the other thing is: if you've got divisions that are quite different in their nature, so one business is perhaps really quite long-term, very long sale cycles, another part of the business very short sale cycles and small transaction values. Because, again, there's a natural misunderstanding and a feeling on both sides that one bit of the business is less important because it's all long-term and they never actually sign anything. And the other division is: "Oh, well, they're so short-termist and they – the transaction values are so small it's peanuts. It's in the rounding areas; it doesn't make any difference." (CEO 6)

Similarly, the chairperson of a large media business emphasised the tensions between the creative organisation and the commercial organisation in the context of restructuring.

I think what equips companies culturally talent-wise and organisations that succeed in, typically, in a digital context, is very different from what tends to drive companies in the legacy world. And what you get especially in creative businesses like this – where you have hugely creative people who love what they do – is that they tend to find the technology very troublesome: they're not very interested in it – they're really interested in what they do, producing brilliant television, and it's extremely inconvenient that this other stuff is happening. And the CEO is very good at managing these creative people ...

it's a different art form ... I think what you tend to find with these technology-based challenges is they, they're not just collisions of technology, they're collisions of culture and organisation ... and it's something that you have to try and manage the best you can, but recognise that somebody who loves producing television programmes is probably not going to be deeply commercial and somebody who sells advertising, does deals in advertising, is not going to be deeply creative. And those people, even here you ought to, you find television creatives regard the idea that they should have to do something to please advertisers is almost a, is quite an upsetting idea for them, it, it's all pollution. (Chairperson 1)

These extracts support the idea that CEOs and chairpersons perceive and face strategic tension at the business-unit level between business units of exploitative and explorative natures which attempt to push their agendas and compete for CEO attention and for resources.

4.4.2.3 Competing role-based demands of operational and strategic work

While competing strategic demands are perceived by both CEOs and chairpersons, some competing demands are role-based: that is, they are specific to each role. Some CEOs reported facing competing operational and strategic demands, as represented by the following extracts.

The nature of the stakeholders and the relentless focus on tactical things ... The air time we get was much more; it was never about: Should we restructure the industry? Should we do some joint-ventures? Whateverit might be. Because it always just looped back to today's thing. And it just became a political kick around the areas of operational focus rather than strategic. (CEO 2)

No, I think it was issues, fundamental issues of strategy: Why are we in this thing? ... I think the execution, all of the executional stuff, the targets that we *had, we did pretty well on – ultimately it was a structural issue. It was, yeah, strategic issue. It was much more fundamental structural issue.* (CEO 5)

The CEO role has often been depicted as one of reconciling internal and external demands (e.g. Mintzberg, 2009; Kotter, 1982). D'Aveni and Macmillan (1990) showed how failing firms' top management teams (and therefore CEOs) fail to reconcile internal and external environmental issues and fail to focus on the long term due to short-term pressures on resources. In the above examples, operational, short-term pressures were so high that CEOs left long-term strategic issues unaddressed, with important implications for the firm as well as for the CEOs' personal well-being. Interestingly, both CEOs lacked a chief operating officer (COO) in their respective companies. Research has shown that the presence of a COO reduces information processing demands for the CEO (Marcel, 2009) and allows the CEO to delegate internal, operational affairs while concentrating on long-term strategic issues and relationships with powerful external constituencies (Pfeffer and Salancik, 1978). The choices available to CEOs in handling competing strategic and role-based demands will be explored in more detail under **Theme IV** below.

4.4.2.4 Competing demands of diversity of thinking and unity of action

Chairpersons and CEOs in this study perceive competing role-based demands of ensuring, respectively, diversity of outlook and ideas among board and top management team (TMT), while simultaneously ensuring cohesion, consensus and fast decision-making. Such demands are role-based because they are specific to each role, and the tensions are similarly variable according the different composition of TMTs and boards. One chairperson perceived his role to be one of ensuring a diverse board in terms of skills and experience, while simultaneously maintaining enough cohesion and unity to reach decisions (i.e. ensure it's a real team).

I'm a strong believer in diversity, but it has a risk. It makes your board very versatile, very different – which is an asset – but you then also have to make sure that it's a real team, that people don't start thinking from their own angle. And so it, to me, is the best recipe, but it's also the most difficult recipe. (Chairperson 8)

Another chairperson perceived his role to be one of making the most of a diverse board, by enabling robust debate that surfaces and handles tensions and differences of view, while simultaneously demanding trust and respect so that different views can be properly debated without jeopardizing board unity.

… the board that is incapable of having debate, or if it's a very frequent thing – you'll find that lots of boards don't want – and the chairman will intervene when people start arguing, and they'll close it out, take it outside the meeting. But that board is going to be tested when you get into this moment of challenges, and, because it's not capable of facing into the issues, will fail. No, but the point is to have that debate. If you have argument in a board, you have to have security in the board – security meaning people – there's embedded trust and respect, and "I think your contribution is worthwhile, you think my contribution's worthwhile, so we'll listen to each other, express our views clearly, listen clearly and not think this is somehow a career-threatening, life-threatening event to have a difference of view". (Chairperson 1)

The chairperson's role in managing boardroom dynamics is well established in the research literature, as well as being guided by regulation, particularly with regard to allowing for differences of view about the firm's strategy and wider issues, while facilitating meaningful consensus and alignment (Cadbury, 1992; Dulewicz, Gay and Taylor, 2007; Kakabadse and Kakabadse, 2007; Taylor, 2001). Managing diversity and unity, and conflict and cohesion, is fundamental in ensuring effective and timely responses to strategic issues.

Many CEOs in this study have testified to the value of building a diverse TMT in terms of skills and experience appropriate to the strategic challenges being faced by the firm. They assert that external complexity and instability call not only for variety in terms of TMT composition, but also for fast decision-making, consensus and unity of action.

> *I brought my own team in … so day one I brought in a marketeer, and I didn't even bother to check out the existing marketeer, I had a conversation with her very politely on the first afternoon, then fired her. She said, "That's not fair." I said, "It's not fair, but that's what I've decided to do. It's my decision." I did exactly the same with effectively bringing in [executive's name] who came in as my right-hand man to go down to the engine room and report that all the dials were connected to all the right things. I didn't trust anybody else to do that. I decided to leave the two operations people … because I knew both. I said, "I'll take that as my prime responsibility." I will go and see what I really think, but I'm going to give them time. I left in place the finance director because I knew she could add up and I knew at that time she was relatively well respected by the community, but I – and also because I thought that's probably the one person you don't want to change at the moment while I want to get control of the numbers. In terms of the two core businesses, three core businesses, I promoted all internally, but I brought them up very fast. So I identified talent: three or four of them.* (CEO 11)

The CEO as leader of the TMT is charged with the responsibility for both ensuring its robustness in terms of diversity of skills and experience appropriate to the challenges being faced, as well as ensuring that the team remains cohesive and aligned. There is extensive research on this, often emphasising TMT heterogeneity (Finklestein, Hambrick and Cannella, 2009), role interdependence (Michel and Hambrick, 1992; Hambrick, 1994) and processes of social integration (O'Reilly, Caldwell and Barnett, 1989) and consensus (Dess and Origer, 1987). The CEO is expected to play the leading role in setting the tone for team interactions, encouraging open discussions and effective dispute resolution (Finkelstein, Hambrick and Cannella, 2009). The role of the CEO in handling tensions in the TMT is discussed further under **Theme IV** in **Section 4.7.1.**

The role of chairpersons and CEOs in handling competing demands of diversity and unity, and conflict and cohesion, within the board and the TMT respectively, will be further explored below under **Themes III and IV**.

Table 11 summarises the competing strategic and role-based demands emerging from CEOs' and chairpersons' interviews.

Table 11: CEOs' and chairpersons' competing strategic and role-based demands

Competing demands	Description	Locus
4.4.2.1 Restructuring and growth	Refers to competing strategic demands of restructuring and growth at the organisational level. CEOs perceive the need to restructure the business while simultaneously facing demands to grow the business. Such demands require, on the one hand, reducing costs, risks and capacity while on the other increasing investment, capacity and risk.	Organisational (CEO and chairperson roles)
4.4.2.2 Exploration and exploitation	Refers to competing demands arising from business units of a different nature: typically R&D and sales and distribution units, which compete for CEO attention and resources. These units have different temporal focus (i.e. long and short term), different mind-sets and cultures (i.e. discipline and creativity) and different ways of measuring success. The challenge for the CEO is to find ways of fostering productive collaboration between the units.	Organisational/ business unit (CEO and chairperson roles)
4.4.2.3 Operational and strategic work	Refers to tensions about where to allocate time for competing short-term operational (which may have strategic implications) and long-term strategic challenges within the role. CEOs may focus on and be absorbed by operational elements of the role and fail to address more fundamental issues of strategy and purpose which would lead to better operational decisions.	Role (CEO role)
4.4.2.4 Diversity of thinking and unity of action	Refers to competing demands of ensuring diversity of thinking and contribution, while equally striving for consensus, fast decision-making and unity of action under difficult circumstances. CEOs face such competing demands in their roles as leaders of the top management team (TMT) whereas chairpersons report such competing demands in their roles as board leaders.	Role (CEO and chairperson roles)

Source: compiled by the author

There follows a summary of the perceptions of CEOs and chairpersons about the business environment and competing strategic and role-based demands, as reported under Theme I.

4.4.3 Summary of Theme I

This theme was concerned with exploring the nature of the contexts and competing demands perceived by CEOs and chairpersons while fulfilling their roles. It therefore elaborated how CEOs and chairpersons perceive and make sense of the external environment as well as the competing demands. Results support prior research on the CEO (e.g. Mintzberg, 1979; Finkelstein, Hambrick and Cannella, 2009) and chairperson (e.g. Kakabadse and Kakabadse, 2007; Dulewicz, Gay and Taylor, 2007; Parker, 1990) roles, which depict them as sitting at the boundary between the organisation and its environment, and therefore having important boundary-spanning responsibilities. The responsibility for interpreting and making sense of the environment for the whole system (Daft and Weick, 1984; Miles et al., 1978:6) emerges as a primary role requirement for both CEOs and chairpersons. Findings in this section also suggest that boundary-spanning and making sense of the organisation's external environment are requirements for both.

It has been shown how financial crisis, economic recessions, technology discontinuities and far-reaching regulatory interventions create environments perceived by role incumbents as highly uncertain and characterised by low munificence and resource scarcity. Such perceived environments have been shown to influence choices of strategy and structure (Finkelstein, Hambrick and Cannella, 2009; Miles et al., 1978; Daft and Weick, 1984; Child, 1972); this is addressed later in this chapter. This section uncovers what competing strategic and role-based demands they perceive and face in such environments. CEOs and chairpersons in this study perceive similar competing strategic demands of restructuring and growth (e.g. Filatotchev and Toms, 2006; Martin and Kimberly, 2008), as well as business-unit-level competing strategic demands of exploration and exploitation (e.g. Raisch et al., 2009; Smith and Tushman, 2005). Such demands are felt equally by both role incumbents, both being responsible for boundary-spanning activities and sense-making and interpretation of the company's external environment.

Other competing demands have emerged that are role-based. CEOs often perceive a clash between day-to-day, operational and short-term demands and more long-term, strategic work. Important elements may contribute to this such as inadequate structure (i.e. absence of a chief operating officer to delegate to) or an unbalanced board with too much focus on operations. In addition, both CEOs and chairpersons reported facing the difficult task of reconciling the desirable diversity of skills and experiences both in the TMT and in the board with the required unity, cohesion and pace of decision-making required by circumstances.

The next section will explore and develop Theme II, which considers the interplay and dynamics between the chairperson and CEO roles.

4.5 Theme II: Chairperson and CEO roles: role boundedness

This theme explores the interplay between the roles of chairperson and CEO which will be seen to be critical in handling strategic tensions. Here we follow Stewart's (1991) findings that the role of the CEO can only be properly understood in relation to that of the chairperson: that is, both roles are interdependent and determined by the context and the individuals occupying those roles. This study identifies a number of aspects that emerged at the intersection of the CEO and chairperson roles. Such aspects are expressed in three sub-themes: i) qualities of the chairperson–CEO relationship; ii) chairperson–CEO role boundaries; and iii) the chairperson role in relation to the CEO. These sub-themes are discussed next.

4.5.1 Qualities of the chairperson–CEO relationship

This study found the relationship between the chairperson and the CEO to be critical. Important qualities in this relationship, which enable the effective handling of strategic tensions, are: i) chairperson time and relationship trust; and ii) complementarity of skills, experience and perspectives. These are explored next, supported by relevant data and research.

4.5.1.1 Chairperson time and relationship trust

Chairpersons and CEOs in this study emphasised the centrality of this relationship in determining effective responses to strategic tensions. Individual CEOs and chairpersons alike have stressed the imperative for this relationship to be based on high levels of trust, which is in line with previous findings (e.g. Kakabadse and Kakabadse, 2007; Kakabadse, Kakabadse and Barratt, 2006; Kakabadse, Kakabadse and Knyght, 2010; Roberts, 2002).

One highly experienced chairperson explained the criticality of the relationship and the importance of trust as the platform for open dialogue and constructive discussion.

> *I have experience of it [i.e. CEO–chairperson relationship] not working – and nothing works: it's like almost an all-or-nothing-type thing. Trust absolutely critical; clear communication; very open-door policy; ability to not just discuss the issue at hand but chew the fat around the piece – so it's got to be relaxed, it's got to be throwing things out there. It's got to be a good dialogue, but trust is critical.* (Chairperson 5)

The CEO of a large travel and leisure company described the basic trust that cemented the relationship as a solid belief that the chairperson was "routing for the CEO" and wished her success. This strong trust in the chairperson's intentions allowed the relationship to withstand robust, constructive discussions without losing cohesion and unity.

> *The CEO, in my opinion, needs to know that the chairman is rooting for her – that challenge, question, but the challenge and questioning and rigour, but that really believe and help you be successful. And I never, throughout our career working together, doubted that.* (CEO 13)

A similar account was given by the CEO of a large retail firm, where high levels of trust were again to be found at the basis of the relationship, allowing open and robust discussion and challenges between chairperson and CEO.

> *We used to say … "Can you tell me? Are you sure about this? Why do you think you're sure about this?" I used to have to argue my corner, but I trusted him, and I knew he was not after me, to test me, he was just … It was a proper conversation: "Can I help you? Or have you thought about this?" But I used to take it on the basis: well, he's asking me because maybe he will come out with a better answer. You both have to go in open-minded: that's why it has to be a very robust trust. And I did not have that with his successor.* (CEO 11)

Another chairperson described the relationship as "pivotal", and said that building trust in the relationship is important and needs to be continually worked at.

> *… because a lot of it was about listening, distilling, encouraging, fostering trust – and I think those are many of the qualities you need, and not having a big ego, to be honest. And I think many of those are qualities that a chairman needs to lead a board and that a chairman needs in the pivotal relationship that he or she has with a chief executive.* (Chairperson 4)

High levels of trust were shown to serve as a platform for open dialogue and effective communication and debate between role incumbents. Evidence shows that CEO and chairperson are mutually responsible for nurturing the "magic relationship" and that trust and professional integrity are salient attributes of the relationship's effect on board performance (Kakabadse, Kakabadse and Barratt, 2006:145). Yet trust develops through time and this requires intense "routine interactions" between the two (Roberts, 2002). For example, Kakabadse and Kakabadse (2007) found that longer tenures were associated with greater accumulated shared experience and better relationships:

> *… The longer board members worked together, the more meaningful their relationships become and the greater their understanding of the organisation and its strength, weaknesses and idiosyncrasies, the greater the opportunity for the chairman and the CEO to evolve a shared mind-set concerning the vision for the future of the organisation.* (p. 186)

The amount of time the chairperson can devote to the role was found to matter for UK directors in terms of developing better and more intimate relationships with management (Kakabadse, Kakabadse and Barratt, 2006) but also as a key determinant of the type of relationship established between the chairperson and the CEO (Coombes and Wong, 2004; Stewart, 1991).

In this study, the history of interaction between the chairperson and the CEO, and the time the chairperson devotes to the role, have also emerged as critical in building trust and shared understanding of the strategic tensions facing the firm. One CEO explained how the lack of time, and little history of interaction with his chairperson, resulted in poor handling of severe challenges facing the firm.

> *… and we have no relationship between the CEO and chairman because there'd been no time to build a relationship. So it was not a good start. And if I'm honest it just went downhill from there …* (CEO 15)

Another CEO reported spending insufficient time with his part-time chairperson debating strategic issues in the context of company restructuring and of multiple powerful stakeholders demanding different things from the company.

I suddenly realised that it wasn't a great relationship. We had become very comfortable in our roles, and, when we got a new chairman, it became apparent that we should have spent a lot more time together explaining our thought processes about what we're going to do, why we're going to do those. I just carried on in the assumption that the chairman knew what I was doing. (CEO 2)

In contrast, CEOs that succeeded in handling strategic tensions reported a much higher frequency and quality in their interactions with the chairperson. The CEO of a large building firm explained his relationship with the chairperson during the 2008 financial and property crisis.

I'd have a lot of conversations with [chairperson's name], so in a way you're just trying to calibrate: so this is what I think we should do – let's calibrate that. Initially, you had no time so you were basically saying: we calibrated it crudely; we're just going to do it. But, as time went on, you were able to calibrate that more, think more, get more data and think about how you refined it. (CEO 1)

Similarly, one CEO explained how trust and frequency of interaction are linked and work as a platform for debate and challenge:

I think it's very interesting, so I talk to my chairman three or four times a week. And when something big, when we had our biggest, one of our biggest issues, I probably spoke to him three times a day. And it's interesting to reflect: why would I talk to somebody three times a day if we loved each other and I, he was: Why am I ringing him? I'm ringing him for two reasons: one is to get his advice on an issue because I think he's going to add something –

because if I thought, if I thought I was just going to hear my echo, why would I ring somebody three times a day just to hear my echo? I trust and respect him. (CEO 7)

Prior work (Kakabadse, Kakabadse and Knyght, 2010) has identified *philos* as a critical chairperson–CEO relationship quality, of which trust is the principle component. *Philos* has been defined as "an enabling social structure for overcoming resistance to change and the discomfort experienced from uncertainty" (Krackhardt, 1992:238). Mayer, Davis and Schoorman (1995:712) have defined trust as the "willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other part". Trust has also been characterised as the "product of strong, affective and time-honoured relationships where change is the product of *philos*" (Krackhardt and Stern, 1988:138). *Philos* enables strategic tensions to be raised in the relationship without fear of recrimination or loss of face (Kakabadse, Kakabadse and Knyght, 2010; Westphal and Bedner, 2005). In this way, the chairperson–CEO relationship provides a context in which the CEO can think provisionally, and which acknowledges the ambiguities and uncertainties inherent in decision-making (Roberts, 2002:504). The presence of strong *philos* has also been identified as condition for CEOs and chairpersons to develop shared interpretative capacity (Kakabadse, Kakabadse and Knyght, 2010). This is discussed in the next section.

4.5.1.2 Complementarity of skills, experience and perspectives

Previous research has found complementarity of chairperson–CEO skills, experiences, perspectives, temperament, business focus and values to be of critical importance in effectively addressing strategic tensions facing the firm (Roberts, 2002). For example, a visionary chairperson and a detail-oriented CEO (business focus) can make for a balance between future innovation and current operational results (Roberts, 2002). As Roberts puts it:

> *Building upon these different personal resources the separation of roles and responsibilities can then serve to realise a balance between meeting short-term performance pressures and building long-term capability…* (Roberts, 2002:503)

The ability of chairpersons and CEOs to interpret information and events in a similar fashion both in terms of value (positive or negative) and impact (low or high) is seen by board members as a critical condition for effectiveness (Kakabadse, Kakabadse and Knyght, 2010). Shared sense-making (Weick, 1995) is thus enabled by strong *philos* but also by the presence of complementary skills, experience and mental maps (Roberts, 2002).

The presence of "shared sense-making" allows both role incumbents to come to a shared understanding of the strategic tensions facing the firm. In this study, many interviewees stressed the critical importance of shared understanding in responding to strategic tensions.

> *You've got to have a chairman and a chief executive who have the same view on that subject. If you were in a situation of that nature, I don't think you could have the chairman having one view and the chief executive having another. I can't see it. It's just so big. And if the chief executive and the chairman have differing views they've really got to hammer it out and come to a single view before it starts to get stress- or pressure-tested with the board and everyone else.* (CEO 10)

In particular, the chairperson's industry background and international experience were found to be important in enabling shared sense-making. When these factors are absent, the chairperson's contribution and support for the CEO in handling tensions becomes ineffective.

> *... a chairman who knew nothing about our business and nothing about America. He had hardly set foot in America. That was a big handicap. Because I'm a massive believer in the chairman needs to understand the business of the board that he's chairing.* (CEO 15)

Another example was reported by the CEO of a large infrastructure firm where the chairperson's lack of experience in handling multiple stakeholders caused him to ignore or downplay the tensions being faced by the CEO as a result of attending to operational demands while dealing with stakeholder pressure to change course. This meant that the chairperson was unable to act as a buffer for the CEO against such pressures (the buffering role of the chairperson is explored and discussed in **Section 4.5.3.1**).

> *I sometimes question whether he had the right experience. Had never really been thrust into the limelight of political scrutiny and public scrutiny like this. It came as a bit of a shock to him and I wouldn't say he wasn't bright enough but he probably didn't have the experience.* (CEO 2)

The qualities of the relationship, as outlined above, allow for challenges to be raised and discussed, so that responses can be formulated. These qualities also enable both individuals to negotiate different role boundaries appropriate to the challenges at hand. Role boundary dynamics are discussed next.

4.5.2 Chairperson–CEO role boundaries

Role boundary delineation has been raised as a critical dimension of chairperson–CEO relationships (e.g. Kakabadse, Kakabadse and Barratt, 2006; Stewart, 1991).

While normative prescriptions and conventional wisdom state that the chairperson runs the board and the CEO runs the firm (Roberts, 2002), this study finds that boundary management is dynamic and dependent on the context and role incumbents' perceptions of their roles, particularly when the firm's strategic direction and competitive advantage is unclear. This study's findings indicate that boundary management is often, but not always, a dynamic negotiated process that depends both on the role incumbents' interpretation of their own roles, as well as the circumstances surrounding the relationship and which are ever-evolving. This is in line with other studies which attribute tensions in the relationship to personal idiosyncrasies as well as poorly delineated peripheral responsibilities (Kakabadse, Kakabadse and Barratt, 2006). Delineating role boundaries inevitably generates tensions because role incumbents may not always share the same understanding of the boundaries or perceive a need to rearrange them.

Some CEOs and chairpersons expressed views consistent with the conventional role boundaries, with a clear distinction between executive and non-executive domains. This corresponds to the chairperson's role as consultant (Stewart, 1991), where the initiative in seeking advice rests with the CEO. It also denotes a rigid interpretation of role boundaries, accepting the normative description of these roles, and downplaying the business context within which they are enacted, and thus how they may require adjustments in their delineation and interplay.

> *That's what you want, isn't it? That's what every chief executive wants. He doesn't want the patsy; he doesn't want somebody managing him, because then you are not chief executive. So it's a very fine balance.* (CEO 11)

> *I said to the CEO, "Look, I'm not going to try and do your job. I'm a resource: use me as you see fit." I thought we had quite a constructive relationship and some, in my mind, some really good discussions about the things he was*

grappling with in the business. Whether that was really of great value to him, I'm not sure. (Chairperson 6)

I think the chairman runs the board and the CEO runs the business. That's the way it should work. That's really a CEO's job, isn't it? Not the chairman's job. You're there to be used as a resource if you're asked to help with something. (Chairperson 7)

Other interviews evinced a much more flexible and dynamic interpretation of role boundaries. For some, role boundaries were less important, and role incumbents' skills, experience and relationships were the criteria for effectiveness. Research into how role arrangements are formed and impact each other was first published by Hodgson, Levinson and Zaleznik (1965) in a pioneering study of three executives' "role constellations". Hodgson and his colleagues referred to a process of "emotional division of labor" and specialisation of function by each role-holder, so that they become complementary and form a balanced "integrated whole" (Hodgson, Levinson and Zaleznik, 1965:xxi). Referring to pairs as a stable and effective "role constellation", Hodgson explained how some pairs were found to specialise in internal demands and external, boundary-spanning activities by each taking responsibility for one aspect (Hodgson, Levinson and Zaleznik, 1965). This thesis gives further support to the work of Hodgson, Levinson and Zaleznik (1965), as well as the chairperson role as partner to the CEO proposed by Stewart (1991). The following excerpt illustrates the specialisation of functions as proposed by previous studies:

The chairman and chief executive work as a team. In a good team you don't all do the same thing: there's a centre-forward and a centre-back, and in a difficult situation the chairman has to move into a – you could call it an executive role, but it's more of a leadership role and the chief executive –

because there's so much to do – is taking a line of responsibility for the operation. (CEO 21)

However, evidence suggests that specialisation might not be organised in such a structured way (i.e. CEO dealing with internal affairs and chairperson with external affairs) as evidenced in the following CEO account:

> *He'd be dealing with things that I should have been dealing with and I was dealing with a lot of things which, in the truth, he should have been dealing with. But, because I had personal relationships with, or, it just didn't work that way. But, because you've got this common aim, rather than "not my job: chairman's job", or "not my job: chief executive's job", it's what they call the greyness between the relationship I think is the really important thing.* (CEO 10)

Instead, evidence suggests that, when facing challenging strategic tensions, role boundaries often become blurred and the configuration of the roles becomes much more dependent on the challenges being faced and the distinct skills, experience and relationships that role incumbents possess. This points to recent evidence showing that "*the boundary between what the chair and CEO do is subject to renegotiation and change as the relationship develops and in the light of changing circumstances*" (Cornforth and Macmillan, 2016:17).

Further, some CEOs established the boundaries around operations and strategy, with the chairperson taking an advisory role on strategic matters. The operational day-to-day is sometimes seen as exclusively the CEO's responsibility, while, when strategic decisions are being considered, the chairperson is perceived to have legitimacy to intervene and advise.

> *That depends a bit from the situation. In the daily operation I don't seek his advice because otherwise he would have taken the role, on strategic moves*

> *definitely… And then he is playing exactly the right level of mixing in and keeping out. But he is really somebody ... I couldn't imagine a better chairman for the time being.* (CEO 8)

Some chairpersons revealed strong preferences in terms of role boundary management. They expect to have more involvement in strategy and choose to intervene more in terms of what the CEO can do, suggesting that whether to support or challenge CEO actions will depend on the particular challenges and circumstances the firm is facing. The chairperson of a large media company explained:

> *… The CEO would say, I'm sure, I stayed involved too far, too long – all chief executives say that. Unless you can manage, that tension is going to be there and you've got to be prepared to manage it, because a good chief executive is a very strong, very controlling leader, and controlling leaders want to have a very high degree of space and independence, and I respect that. That's the trouble with it. My view is the chairman's job is somewhere between half a day a week and seven days a week: it's all the situation and, let's face it, if the chief executive goes under a bus, you're the next one up, and there are times when you have to be very engaged, and you're not an operating executive.* (Chairperson 1)

Boundary management was often referred to by chairpersons as "a balance between accelerating and pulling the brake", denoting the chairperson's role as both a support and a constraint to that of the CEO, often reducing the CEO's power of discretion. This balance often depends on the circumstances facing the firm. Some CEOs react rather negatively when chairpersons limit their power of discretion. Two CEOs in this study exited the company in conflict with their chairperson. For example, the approach of Chairperson 8, quoted below, led to escalating conflict with his CEO who wanted a high degree of freedom which Chairperson 8 wasn't prepared to concede.

> *I think you need as a chairman to know what the balance is between giving freedom and pulling the brake or giving guidance. And I think, in the first years – I mean the CEO almost had carte blanche because you knew if she cannot fix it is not going to be fixed, and the CFO had the financial skill to deal with it.* (Chairperson 8)

He continued:

> *I think what you do as a chairman is, I guess, you – but it's like you provide the framework for the painting and then you let the CEO paint. And depending on the capabilities and the development of a CEO you either narrow the frame and you say, "This is where you can paint" or you're widening and say, "Paint it". So, as a chairman, you set the boundaries and you say, "We're not going to sell the airline". We are, and you have other discussions as to what the framework is, but it's a broad framework in which you say, to the CEO, "Now you paint".* (Chairperson 8)

Similarly, the CEO of a high-tech company explained in quite an emotional tone the constraining effect of his chairperson on his actions.

> *The chairman of the company didn't want to relinquish any kind of credit or control to me. So he and I had this battle ... At first we collaborated but, as things got more stressful, so that relationship became more and more difficult. I remember: he said, "You're the accelerator and I'm the brake." I thought, "No, I don't need no brake, thank you very much." It's hard enough doing stuff as it is without having somebody who's the brake. You know: what do I need a brake for?* (CEO 16)

Boundary management is a critical decision for the chairperson, depending as it does on the firm's specific challenges and the CEO's own abilities and development. This area is not uncontroversial, however, and CEOs may react against the attempts of chairpersons to restrict and control CEO action, or disregard the chairperson's advice.

Relationship attributes and role delineation provides the structure within which the chairperson and the CEO act, and therefore determine which role(s) the chairperson can play in relation to the CEO. This is the subject of the next section.

4.5.3 Chairperson roles in relation to the CEO

This study found that chairpersons play three fundamental roles in relation to the CEO: i) a buffering role; ii) an advisory role; and iii) a partner role. During periods of substantial change and uncertainty, if the company is underperforming, the buffering role is a central one that enables and constrains CEO action. The advisory and partnership roles are at least partially related to the buffering role. These roles are now discussed further, supported by evidence from this study and from extant literature.

4.5.3.1 The chairperson as buffer

Evidence suggests that chairpersons play an important function by buffering the CEO from non-executive directors (NEDs) and dysfunctional board behaviour, as well as from the pressures and expectations of shareholders, investors, analysts and other market players. This buffering function appears critical in preventing excessive orientation towards either short or long term.

CEOs experience pressure from various constituencies to accelerate change, deliver better short-term results, or pursue particular strategies (e.g. acquisitions). In effect, the exercise of control by the CEOs has been claimed to be a function of the constraints and more or less explicit powers that are posed by NEDs, shareholders and sometimes creditors (Herman, 1981).

Among these constituencies, boards and NEDs, shareholders and the market (i.e. analysts, investors) are the ones perceived by CEOs and chairpersons as exerting influence over CEO behaviour. The chairperson has an important role in both protecting the CEO from undue external pressures and expectations and in regulating the CEO's behaviour in the case of excessive acquiescence to such pressures. Thus, the chairperson plays a pivotal role in aligning expectations and ensuring that a sustainable and realistic sense of direction is maintained.

The next sections explore evidence of NED and board behaviour constraining CEO action, as well as the influence of shareholders, investors and market analysts in terms of performance expectations. It follows a discussion on the role of the chairperson in buffering the CEO from these pressures and expectations. Useful chairperson characteristics for effective buffering are then explored, as inferred from the analysis.

4.5.3.1.1 Non-executive director (NED) and board behaviour

CEOs and some chairpersons reported many instances where non-executive directors' (NEDs') behaviour deflected CEOs' attention towards operations and short-term, polarised discussions, and inhibited overall decision-making. They did this through pursuit of personal agendas; defensive behaviour protective of reputation in relation to company poor performance; an unbalanced focus on operations and performance rather than the long term; and a frequent lack of independence. The consequences for CEOs were difficulties in agreeing on objectives and competitive advantage, as well as in responding to company challenges in a timely fashion.

Some CEOs considered excessive industry experience on the board had led to option-reducing behaviour and difficulties in agreeing a strategic direction; others thought differing agendas and lack of independence had impeded good strategic discussions and alignment.

Other non-execs sometimes do it for the wrong reason. They do it because they want power, not because they want to effect change which is necessary. So we had another example on the [company] board: somebody was difficult, for his own ends and not for the company's interests. That's very unhelpful. (CEO 11)

Building and maintaining a reputation as expert monitors has been proposed by agency theorists as a key incentive for NEDs to devote time and effort in scrutinising and challenging CEO decisions (Fama, 1980; Fama and Jensen, 1983). However, this incentive may sometimes work to constrain to the CEO in his/her efforts to make changes to the business in response to difficult problems. Evidence from this study suggests that NEDs that remain on the board during poor performance cycles may become defensive and prevent the new CEO from identifying and addressing problems; this implies poor monitoring, thus undermining NEDs' reputation as expert monitors. This is especially so when those NEDs are already dealing with potential reputation-damaging situations in other boards where they are directors.

One CEO explained how NEDs became defensive when the new CEO brought ongoing problems in the business to their attention.

… non-execs can get very defensive … so one of the things I noticed was a lot of the non-execs were far more interested in protecting their position in – not in terms of their position on the board, but in terms of: there was all these problems in one of the divisions and it suddenly wasn't their fault, wasn't their problem. And their role in the board was far more about being defensive about it than actually helping the company solve the problem. And that was a real drawback. (CEO 3)

Similar NED behaviour was described by the CEO of a retail company, where NEDs, in attempting to protect their reputation, demonstrated denial became defensive about company problems that developed under their watch.

> *NEDs were not slow: they were in denial. So there's two parts to that. One is they didn't know what data to look at. The second thing is that they were associated with the data and therefore it was unpleasant to have to recognise the data was the data that they had been presiding over.* (CEO 11)

A CEO facing a very difficult situation explained how the NEDs were unreachable while the situation was unfolding.

> *Dived for cover, particularly the Americans ... talk about absent on the bridge, literally ... because they did not want to be subpoenaed to go and appear before Congress…* (CEO 15)

NEDs of underperforming firms "might be tempted to abandon the firm to limit the damage to their reputation, evade legal liability and escape the workload of restructuring an underperforming firm" (Yermack, 2004:2,294). They may also be difficult with a new CEO in attempting to ensure their reputation is not damaged. Such behaviour often leads to losses in the relationship between the CEO and NEDs and obstructs decision-making. These consequences may be avoided if the chairperson performs his or her buffering role effectively.

The problem of NEDs' lack of independence was also cited repeatedly by CEOs who are addressing difficult strategic tensions. NEDs who are associated with particular shareholders or investors undermine boardroom debate by conveying the views and interests of those investors and making it difficult for different options to be heard, thereby undermining alignment and effective decision-making.

> *The board meetings are not the best places to strategise, because too many people are looking for too many different reasons. If you think about most boards of directors, they've got at least two non-executives who are probably appointed by an investor with a – although they're supposed to be doing the job of a non-exec, they're actually either, they don't read the papers, they are*

pinned down without reading the papers, you know what it's like". (Chairperson 12)

The CEO of a large telecom business experienced such behaviour while attempting to ensure the company's long-term strategy was viable, and became unable to do so in a timely fashion due essentially to lack of NED independence which led to a failure to converge on one agenda.

> *The thing I've often felt like saying at a board meeting – I was never brave enough to do it – was to say: you guys are directors of this company; you should not be coming to these board meetings as the representatives of [company A] or of [company B], you should leave those business cards at the door ... And I very often felt that it was skewed the wrong way.* (CEO 5)

Finally, NED behaviour, driven by inappropriate concerns, may result in unbalanced focus in discussions with the CEO, pulling him or her towards particular perspectives, potentially losing sight of the long term, or of viable solutions outside the expertise of the NEDs. One CEO explained how board meetings were always heavily skewed towards performance and the short term, inhibiting the discussion of important long-term questions.

> *... they [NEDs] would always start the meeting with: well, I know we're about to talk about the long term ... but what, just can you explain to me what happened last weekend at so-and-so. All of the time it was very short-term and performance-related questions. You just got into the routine of knowing everything about everything and that's a lot of reports that come on a daily basis and you have to absorb a lot of information. What went in all of that is doing the long-term relationship building with government, stakeholders and the customers.* (CEO 2)

A chairperson who was in the process of changing the composition of the board explained how the CEO was facing a hard time with the NEDs, who all had single industry experience and were not competent to scrutinise the CEOs proposals and understand their value.

> *So there's a lot of change and all that, but then you have a board which is very much the product of the past, which sees the world in a very peculiar way. Because, again, it's a very strange – and most boards, as we talked about before, are made up of broadly a mixture of specialist and generalist that create a balance which are able to take the overview of the business. This one is made up entirely of people who essentially are – well, who come from exactly the same world that this business is in and they can't quite see in all cases ...* (Chairperson 14)

There is little research that discusses actual NED behaviour in the boardroom. What there is largely focuses on identifying and describing behaviour associated with effective role fulfilment, rather than exposing cases of NED dysfunctional behaviour and its consequences.

The study of UK non-executive directors by Roberts, McNulty and Stiles (2005) pointed to the development of negative boardroom dynamics between the CEO and non-executives whereby executives become frustrated or resentful of NED actions and contributions that are poorly informed or inappropriate, leading to mistrust and breaks in information flows. But, apart from occasional statements like these, little has been discussed about actual NED motives and their potentially constraining behaviour in the boardroom.

The next section explores how shareholders', investors' and analysts' expectations put pressure on CEOs to go in certain, and sometimes conflicting, directions.

4.5.3.1.2 Shareholders, analysts and other market pressures

CEOs and chairpersons talked about instances where primarily shareholders but also investors, analysts and other market players pressured the CEO to make early announcements, focusing on short-term performance rather than long-term purpose and strategy. In particular, some chairpersons referred to instances where shareholders were in disagreement about the company's purpose and competitive advantage, as well as in regards to short-term and long-term performance. These instances were described as impacting CEOs' discretion in pursuing a particular strategic direction, and significantly delaying appropriate action to improve the company's performance.

CEOs often face contradictory expectations from resource providers (Pfeffer and Salancik, 1978). Exchange markets often place more emphasis on short-term gains than on long-term investments (Hansen and Hill, 1991; Short and Keasy, 1997) with different classes of shareholders differing in terms of earnings expectations. Resource providers' contradictory expectations make it difficult for the CEO to reconcile them into one agenda (Czarniawska, 1985). In business contexts characterised by resource scarcity and uncertainty, CEOs may be over-influenced by resource providers' and other market players' agendas, as companies in this situation are often looking to raise fresh capital.

A CEO that was attempting to restructure the firm while simultaneously launching an ambitious investment in a new technology explained how a variety of stakeholders including boards, analysts and shareholders expected the CEO to make short-term announcements or acquire businesses to quickly boost the share price.

> *… because it maybe goes to your short term, long term: between boards, analysts, shareholders, they want the announcements to come early, and so, if you're doing a product launch or something, they want it to go out really early so it's in the marketplace. Well, that just tells all your competitors what you're doing. And yet there was huge pressure to do that … The same with*

> *cost transformation. Everyone wanted us to announce how many people we were going to fire and that's a terrible thing for your staff. The board wanted an acquisition strategy.* (CEO 3)

Analysts were repeatedly cited as influencing CEO behaviour. In the case quoted above, analysts went on to issue negative recommendations about the CEO's announcement of an investment plan for an unproven new technology. Recent studies find that analysts' negative recommendations result in a higher probability of CEO dismissal (Wiersema and Zhang, 2011), have a consequence on investors' decisions (Barber et al., 2001) and impact on CEOs' behaviour and corporate governance (Westphal and Graebner, 2010; Yu, 2008). Moreover, studies have found that, during periods of technological change, analysts' negative recommendations are increasingly associated with firms reducing the level of strategic investment, which suggests that analysts can affect firms' strategic direction (Benner and Ranganathan, 2012). Those firms that persevere with long-term technology investments are likely to face continual pressure to align with analysts and shareholders (Suchman, 1995). Benner and Ranganathan's (2012) study also finds that firms that persist in long-term investments despite negative analyst and market recommendations often engage in higher share buyback to signal alignment with shareholders. This "game of expectations" often places CEOs in a difficult position as they attempt to balance short- and long-term demands and maintain a sense of strategic direction.

The chairperson of a large business explained how the CEO and management team were facing extraordinary difficulty in handling different expectations of two distinct shareholder groups in terms of short- and long-term performance. He went on to explain how he coached the CEO and the team on how to reconcile these different expectations, while working with shareholder groups to buy time so that a solution could be devised.

If you're doing a transaction like that, or if you're in that situation, you've got to get a lot of stars aligned in pretty close proximity to each other. We had to deal with this intergenerational issue of the rich and the less, or the old and the rich, and the new and the poor amongst the shareholder group who were going to be important for the future – because. Because the new and the poor had just gone off and said, "You know what: we'll just set up our own firm. These people are all – they've got too much money and they're going to make a lot of money out of this. What's in it for us? Why are we going to kick around?" (Chairperson 13)

Another case was described by the chairperson of a large internet-based telecom company. Facing a decline in performance and rumours that much larger competitors were attempting to enter their business with innovative products and services, the question of whether to invest for the future and risk competing with very large companies, or exit and sell the company to one of these competitors became a tension between distinct investor groups that was difficult to resolve. The chairperson explained:

… the investor group that we had on the board: they were nearly all of them sitting in California and they were saying, "These guys don't get it: the future is in Silicon Valley, in Menlo Park – we need to put everything there." And you had [shareholder A] on the board saying, "The way of the world is not a downloadable client, it's a browser." So he would sit in the board, and elsewhere, basically just championing the concept of the browser, with a group of people that had built a very successful product that was a downloadable client, and they didn't very easily begin to understand each other. They [shareholder B]: part of the dynamic was this was the biggest investment [shareholder B] had ever made. [Shareholder B] bet its future on this company investment, so you had a situation where [shareholder B] and others were very keen to realise their investment sooner rather than later. The two founders and [shareholder A] would have been much happier to play for the long run. (Chairperson 6)

Different risk appetites and emotional attachment to the company were at play. The chairperson who was facing this situation ultimately fired the CEO and recruited a highly experienced and respected CEO from Silicon Valley who was able to ultimately achieve consensus around selling the business to a large competitor and giving the shareholders a return of three times equity. The chairperson's manoeuvring and independence was critical in diffusing the tension.

Data from this study suggests that the norm for CEOs is to feel pressure to delivering short-term performance, often with the consequence of neglecting long-term strategic issues.

> *I used to get a lot of operational questions. Whenever you went to see government ministers, the first thing they would say … All of the time you're being brought back to an operational perspective when a chief executive ought to be able to be dealing with the longer term, the bigger picture with the stakeholders.* (CEO 2)

It is critical that the CEO retains the confidence of the board and the shareholders concerning the company's strategic direction and does so with vigour and confidence. Without alignment with the board and the shareholders, it becomes difficult for the CEO to reconcile these different expectations.

> *I think it's in retaining the confidence of – the sense of unity and confidence of – all of the board and all of the shareholders as you go through a really radical transformation of the company.* (Chairperson 4)

CEOs face a myriad of expectations which are often contradictory and difficult to reconcile. Mintzberg (2009) in his book *Managing* depicted CEOs as gatekeepers and buffers in the flow of influence, as valves that control what gets passed on and how. By this understanding, the CEO's role is seen as one that insulates the organisation from external pressures and expectations. The last two sections have shown how these influences may present themselves in the form of board behaviour and expectations of the CEO's performance, shareholders' and investors' different expectations of CEO strategic decisions, or stock market analysts' recommendations regarding the company stock. Mintzberg (2009) described five types of CEO buffering or gatekeeping behaviour: *Sieves* (CEOs who allow influence – for example, from analysts – flow too easily into the organisation, forcing everyone to manage for the short term); *Dams* (CEOs who insulate the organisation too much from external influence, thereby becoming detached from the external world); *Sponges* (CEOs who absorb too much of the pressure and may thus experience burnout); *Hoses* (CEOs who place too much pressure on people outside the company who may therefore become hostile); and *Drips* (CEOs who exert little external pressure, thereby poorly representing their company).

In a somewhat similar line of thinking, Tengblad (2004) depicts CEOs as "expectation handlers" who need to manage internal and external expectations, attributing the increased prominence of this role to the rise in importance of capital markets that largely operate on the basis of expectations about future performance (i.e. future cash flows) and increasingly use a variety of financial instruments based on expectations (i.e. hedging, derivatives, options and futures). CEOs are depicted as feeling accountable to market actors and dependent on investor confidence, and therefore often feel compelled to modify their behaviour in the direction of fulfilling such expectations (Tengblad, 2004). The problem is framed by Tengblad as follows: "how to create a balance between moulding expectations so that the stock market will perform well, without creating unrealistic expectations, was seen as one of the most difficult tasks for a CEO" (Tengblad, 2004:591).

The problem with handling different expectations and insulating the organisation from external pressures is further demonstrated in a survey of 400 CFOs (chief financial officers) of US listed companies. CFOs perceive "a constant tension between the short-term and the long-term objectives of the firm" (Graham, Harvey and Rajgopal, 2005:35), and "are willing to make small to moderate sacrifices in economic value to meet earnings expectations from analysts and investors" (p. 5) to avoid severe market penalties to the company as well as reputational damage.

What both Mintzberg (2009) and Tengblad show is that the CEO is at the centre of attention for a variety of powerful constituents who all signal expectations of behaviour to the CEO, often contradictory or politically motivated, pressuring the CEO to manage the business in the direction of such expectations. Mintzberg (2009) and Tengblad (2004) also demonstrate how difficult it is for CEOs to fulfil this buffering function and how wrong it can go. But who or what buffers the CEO from these expectations, especially in times of poor performance? Who makes sure the CEO is handling expectations and buffering the organisation in a balanced manner?

In this thesis – and to some extent already shown in the last two sections – the chairperson role is identified as critical in ensuring the CEO is able to handle expectations in an appropriate manner. The chairperson buffering role in relation to the CEO is discussed next.

4.5.3.1.3 The chairperson buffering role

In this study, a clear pattern emerged regarding the chairperson as a buffer for the CEO. Chairpersons perceive buffering the CEO to be a key requirement of their role and, in turn, CEOs value this aspect of the chairperson's role, finding it important in supporting them to carry out their role effectively. As the CEO is exposed to multiple and often contradictory expectations from the board, analysts, shareholders and investors, he or she often struggles to manage the firm in a way that takes account of this variety of pressures in a balanced way. There are risks in managing for the short term, diminishing commitment to long-term value creation, earnings management, overconfidence and a whole range of different behaviours.

Past research has seldom seen the buffering role of the chairperson as critical. For example, O'Neal and Thomas's (1996) study surveyed and interviewed dozens of US board members and found that the "buffering of top management from outside pressures" was rated last (with only about two per cent of total responses) on a list of perceived board roles. Past work has identified the chairperson as the conduit between the non-executive directors and the CEO and vice versa (e.g. Kakabadse, 2007; Roberts and Stiles, 1999). By performing this buffering function, the chairperson ensures that the collective messages and concerns of the NEDs are conveyed to the CEO in such a manner so as to not be perceived as antagonistic, conflicting or as a vote of no confidence. Similarly, the CEO may convey to the chairperson important considerations about NED behaviour (as discussed in **Section 4.5.3.1.1**), which the chairperson may find useful in correcting board behaviour or even composition.

Time and again during the course of this study, chairpersons and CEOs described the chairperson role as a buffer, using expressions such as "containing and channelling", "sponge" and "dissipates waves". One CEO explained the importance of the chairperson in regulating the relationships and information flow between the board and the CEO.

> *And if he has a discussion, then [chairperson's name] is somehow containing it again and channelling it again and giving the feedback to us. So it is really – he is not an executive chairman, and that is fine – but he is an active chairman that he is giving his advice when his advice is needed.* (CEO 20)

Another chairperson explained that his role is to take “the brickbats” from the board, shareholders and other important stakeholders who may signal loss of confidence in strategy, a reaction to earnings or to particular CEO decisions. Provided the chairperson trusts the CEO and his or her capability, the chairperson can protect him or her from these pressures, ensuring that the he or she is focused on delivering strategy or advising him or her about adjustments that may need to be considered.

> *So the main characteristic of a chairman, I think, is: you’re there, you’re like a sponge in many ways, to be able to take the brickbats and, at the end of the day, you take the crap and the executive team take the glory. That’s the way I think it needs to be.* (Chairperson 10)

A similar view was conveyed by the CEO of a large telecom company. The CEO explained how the chairperson worked as a buffer in absorbing shareholders’ concerns about company performance. Shareholders, capital markets and their players are often “impatient” with regards to results (Tengblad, 2004). It is up to the chairperson of the board to understand the different expectations and help the CEO in crafting appropriate responses or helping the CEO resist temptation to acquiesce to such expectations, which can be damaging in the long term.

> *… an ideal chairman is one who dissipates waves, not extenuates them in either direction. The sort of people get in, it’s too one way or the other, and he doesn’t, a bad chairman extenuates, so if the shareholders are complaining a bit, he, a good chairman understands, absorbs and gives the CEO time etc. What he doesn’t do is he doesn’t make everything work. [Chairperson name] was a superb chairman in that sense that he naturally understood that.* (CEO 3)

The idea that the chairperson needs to manage expectations around the CEO and create space and time for the CEO to deliver sustained results has been stressed by several

CEOs and chairpersons. This support from the chairperson in containing feedback from different stakeholders about performance and CEO actions does not mean the chairperson is “captured” by the CEO. Rather, the chairperson uses independent judgement built on solid experience to determine whether and to what extent to insulate the CEO from such pressures. Ultimately, however, the chairperson may have to fire the CEO.

> *The chairman made it very clear to me that he was there to give me air cover, that he would back me until he had to sack me, but he would give me plenty of time to back me before he’d sack me.* (CEO 11)

In contexts of poor performance, the CEO needs to communicate expectations to a variety of stakeholders (i.e. the board, the shareholders, media) as to how long it is going to take to return to acceptable levels of performance and what can be expected in the foreseeable future. Evidence from this study suggests that the chairperson plays a critical role in supporting the CEO in communicating realistic expectations to relevant stakeholders which then allows the CEO to produce the right balance between short-term and long-term performance without suffering too much pressure from external constituents. The chairperson of a large media company explained:

> *… my thing as chairman was to, then to explain to all the stakeholders, which means the people who work for you first – well, the board, people who work for you, somebody said suppliers, and then the shareholders and the media in that sequence, that the true extent and the severity of the problem and what they could expect as a result. So the first thing is, in public companies especially, you have to define success and you define the timetable: don’t let the market do it. People will always encourage you to say, “This is a problem but we can solve it and we’ll turn it around in a year or two”, because a lot of people like to believe that. The profound problems are not a year or two’s problem – they’re a three- to five-year problem – and so it’s very, very important the company and the executive team are given that space to*

> *operate, because then they can make radical decisions which may be profit-impoverishing in the short term, but the right thing for the long-term change. And this is partly the job of the chairman to create that space…* (Chairperson 1)

Situations exist where CEOs start giving in to market expectations and make promises that cannot be kept without jeopardising long-term investments. In such cases the chairperson again acts as a buffer and ensures the CEO commits to the longer term, sending messages to the market community that the company is pursuing a long-term strategy and won't give in to short-term pressures.

> *What we said – because you can only test your market so far – I had this conversation: why are you making these promises about earnings and things – just, you're doing all the right things, we're piling money into this; it's a great long-term investment; why do you have to? I said, "I've got a management team. I don't want them bushwhacked because the market has no patience…* (Chairperson 4)

In this section, the chairperson's buffering role in relation to the CEO has been explored and discussed. We have seen that CEOs face a variety of expectations from powerful stakeholders, including the board, and that in handling these expectations the CEO may be tempted to change direction and jeopardise the long term. The chairperson role emerged as critical in insulating the CEO from pressures and helping shape, contain and handle expectations thus creating the conditions for CEO and company success.

However, for chairpersons to be effective buffers and handle expectations around the CEO, they must display a number of personal characteristics. This is discussed in the next section.

4.5.3.1.4 Chairperson characteristics for effective buffering

We have seen that the chairperson plays a critical role in relation to the CEO by acting as a buffer to pressures, as well as advising the CEO on the best course of action. However, evidence suggests that to be effective in fulfilling this important role, chairpersons require *significant and appropriate experience* and need to exhibit *independent thinking and behaviour*.

4.5.3.1.4.1 Significant and appropriate experience

Inadequate industry experience on the part of chairperson and insufficient knowledge of the circumstances facing the firm is perceived as a significant constraint on the ability of chairpersons to act as a buffer and give adequate advice. To act as a buffer, the chairperson needs to be able to recognise the tensions facing the business and the CEO in order to manage the pressures coming from the board, shareholders and the market, and advise or challenge the CEO accordingly. The following extracts exemplify this.

> *… so I think any amount of wise birds around the board table would have struggled to deal with a chairman who'd been CEO and had that experience of being a CEO, which was basically riding up into nonsense territory.* (CEO 6)

> *I sometimes question whether he had the right experience. Had never really been thrust into the limelight of political scrutiny and public scrutiny like this. It came as a bit of a shock to him and I wouldn't say he wasn't bright enough but he probably didn't have the experience.* (CEO 2)

CEOs who were left to face multiple pressures (expectations) from external powerful stakeholders explained how their chairpersons' inadequate experience didn't equip them to understand tensions faced by the CEO and act appropriately to insulate, advise or challenge. In this thesis, chairperson experience refers to a deep understanding of the company, as well as the industry and geographies in which it operates, and therefore of the nature of the stakeholders: a crucial foundation in understanding the nature of strategic tensions that develop and commanding the respect and trust of those stakeholders.

Past research has identified industry and company knowledge as well as independence (both structural and of mind) as fundamental characteristics of the effective chairperson (e.g. Bailey and Peck, 2013; Coombes and Wong, 2004). The effective chairperson requires a “capacity to engage in and resolve disputes and minimise dysfunctional interactions” (Kakabadse, Kakabadse and Barratt, 2006:146), critical for which is the ability to act with independence based on a solid understanding of the industry and the company. Leblanc (2004) argues that the quest for companies to find independent chairpersons or non-executive directors to appease regulators often results in hiring individuals who are too distant from the reality of the company and industry. Hence, the balance of experience and independence reveals itself as critical yet sometimes difficult to achieve.

The next section discusses further the importance of independence for the chairperson to act as an effective buffer and advisor to the CEO.

4.5.3.1.4.2 Independence of thinking and behaviour

Lack of chairperson independence (i.e. both material as well as of thinking and behaviour) was perceived by both CEOs and chairpersons in this study as a fundamental constraint on the chairperson’s ability to act as an effective buffer, and thus leaving the CEO vulnerable to the pressures of particular shareholder groups and directors. As a consequence, debate can become polarised and decisions dragged towards the preferences of a particular shareholder, which may often differ from the firm’s best interest. Past research has often used proxies for chairperson independence, such as the separation of the role of chairperson from the CEO (e.g. Rechner and Dalton, 1989) or whether the chairperson had a previous relationship with the company or the management team that could compromise independence (Leblanc, 2004). One study found that independent chairs (i.e. separate from the CEO role) can improve performance in underperforming firms (Grinstein and Valles, 2008). However, the relationship between chairperson independence measured in this way and firm performance remains unclear (e.g. Dalton et al., 1998), and the impact on managerial entrenchment, risk-taking and executive compensation is found to be low (Krause, Semadeni and Cannella, 2013).

Researchers that were able to take a closer look, using qualitative methods, at the reality of boards have come to explain why such results are inconclusive. As Leblanc (2004) explained, independence is a "state of mind" and therefore manifests itself in the particular formative context of the board and the strategic decisions to be made. Hence, material independence does not guarantee *de facto* independence. What is decisive is "the independence of judgment, competencies and behaviors of the chairperson of the board – not merely the separation of chair and CEO" (Leblanc, 2004:438).

In this study, chairpersons acting non-independently were often described as a constraint on CEOs' ability to focus on long-term strategy. One CEO explained how his chairperson's lack of independence made it difficult to address long-term business aspects relating to technology, because the chairperson didn't want to partner with a company that was competing with another company where he was CEO.

> *Because he was acting not as chairman but as CEO of [company A], which is what his fundamental accountability was. And I hadn't thought about it that way because he was always involved, but thinking it through subsequently it was subconsciously because he was always carrying an [company A] agenda with him.* (CEO 5)

Another example came from the CEO of a large entertainment business under restructuring who explained how the chairperson had been placed by one of the shareholders, which was an investment bank, and had primarily financial and short-term objectives, which were not compatible with the "creative" and therefore more long-term nature of the industry. This created tension with other shareholders who had a more long-term view of the firm. To the CEO this meant having to manage a difficult balance between short-term, financial objectives and keeping the creative ability of the company strong for the long term. With strong pressure from the shareholders and the chairperson, he faced real difficulties in setting the stage for the company's sustainable recovery.

> *Anyway, there were two representatives from each of the shareholders, and they appointed one independent, supposedly independent, chairman. The problem was he was proposed by [shareholder A, i.e. a financial institution], he's an advisor to [shareholder A] and he turned out to always side with [shareholder A], so it created a lot of tension with the other shareholders, who found out too late that this was not a neutral setup. And obviously, as a chairman, you have a certain influence, and also in terms of voting it would tilt it towards [shareholder A].* (CEO 4)

Time and again, similar stories emerged from CEO interviews. One CEO of a large infrastructure firm explained how the chairperson exhibited little independent thinking and was always siding with government, leaving the CEO isolated in terms of exploring alternative strategic options and completely vulnerable to government pressures.

> *… you can't repeat this, but we had a new chairman who seemed to have a different motivation. That he, the change of government, no desire to run the [company] properly; he just wanted to do whatever the government wanted.* (CEO 2)

The chairperson of a retail firm explained the necessity for chairpersons to be independent from external influences, to be able to think and behave independently of external pressures with vested interests. It is important that chairpersons relinquish ambitions for executive positions, promotions or further rewards. The chairperson commented:

> *… as chairman of [company name] I'm not looking for anything from anybody. I think the wonderful thing about – and maybe it's part of the qualification why people become chairmen of companies towards the end of their careers – is they are in a position where the only thing that matters is trying to do the right thing and you're not looking for, I'm not looking for another job, another promotion, a reward. And I think that's quite a good position to be in as chairman.* (Chairperson 4)

The last two sections have identified chairpersons' experience (in relation to the company, the industry and the company's stakeholders) and independence (material and of thinking) as critical requirements in buffering the CEO from undue external pressures.

The next two sections explore two additional roles that chairpersons play in relation to CEOs and which emerged from this study: the adviser/counsellor role and the partner role.

4.5.3.2 The chairperson as adviser/counsellor to the CEO

Acting as an adviser to the CEO has also emerged as an aspect of the chairperson's role. Chairpersons are a discussion partner for the CEO, a sounding board which helps CEOs to gain clarity and confidence about particular challenges. One interesting finding was the role of the chairperson as a counsellor, a "regulator of CEO emotions", particularly where emotions are negative.

One chairperson explained how the counselling role of chairperson for the CEO and the executive team is important when facing strategic tensions that may impact on the CEO's values and emotions.

> *The mentoring role that a chairman has with respect to the executive team as a whole, particularly chief executive, comes to the fore under such challenges. Provided you believe your chief executive is part of the answer rather than part of the problem – which is what we hadn't believed and I made sure that the board had that view and I've conveyed it very strongly to the CEO on a number of occasions – because some of this stuff is very hard to take, particularly if it cuts against everything you stand for and is in your DNA.* (Chairperson 3)

This counselling role and the regulation of CEO emotions was confirmed as an important role for the chairperson. The next two chairperson accounts highlight the importance of their mentoring and counselling roles.

> *And I, as chairman, particularly with the chief executive … he was actually on the psychologist's couch, if you can imagine this: you could've seen me here with my notes, him lying on the couch. I had just a massive outpouring of everything from his entire time in this business that he thought was wrong with it, that he thought was wrong with the leadership, that he thought was wrong with this individual and everything else. So I had to do a lot of listening. All part of the trust process: if he's going to tell you his innermost secrets, you sit there and listen.* (Chairperson 13)

> *I saw the CEO regularly one-to-one obviously between board meetings. He liked to come and get stuff off his chest which was important.* (Chairperson 7)

In these and other cases, the chairperson was critical in regulating the CEO's emotional stability, ensuring that he or she remained objective and focused, and preventing the sort of ineffective behaviour that may ensue when emotions are high.

Research has shown how CEOs' emotions may lead to strategic performance conformity (Delgado-Garcia, La Fuente-Sabaté and Manuel, 2010), dysfunctional CEO–top management team dynamics (Kisfalvi and Pitcher, 2003) and, more generally, impact on board task performance (Brundin and Nordqvist, 2008).

In addition to the emotional dimension of the counselling role, this study also reveals the more classical role of the chairperson as an adviser to the CEO (e.g. Dulewicz, Gay and Taylor, 2006; Roberts, McNulty and Stiles, 2005; Stewart, 1991), where a cognitive dimension prevails of exchanging ideas and potential solutions about particular business tensions with the CEO.

> *The chairman should be the discussion partner for the chief executive, somebody that hopefully the chief executive will come to and say, "I'm not quite sure what to do about this; what do you think?" No, now my attitude is that with the CEO, whom I trust completely, he will tell me, I'd trust him to tell me what's on his mind and I'll back his judgement and nine – if we have a difference of perspective – then nine times out of ten I will say to him, "This is my thought" and then leave it with him. And he will, sometimes he will say, "I've been thinking about what you said and I think there's something in that." Or more often it comes back as his idea …* (Chairperson 1)

Chairpersons can simultaneously advise and challenge the CEO, by testing the CEO's ideas and adding different perspectives before they go before the board for discussion and decision. This requires that the CEO and chairperson enjoy strong mutual trust and are open-minded about the issues at hand (e.g. Roberts, 2002), as discussed at the start of this theme.

> *… he was there to have, to give me impartial advice on a Chatham House Rules basis, that I could go and say to him, "Look, I really haven't a fxxxxx clue what to do. I'm thinking of this. What do you think?" Not having to go to the board and say that ... It was a proper conversation: "Can I help you?"*

or "Have you thought about this?" But I used to take it on the basis: well, he's asking me because maybe he will come out with a better answer. You both have to go in open-minded. (CEO 11)

CEOs talked about the need to have absolute trust in the chairperson, to be able to take questions to the chairperson and challenge in a positive and constructive manner.

The CEO in my opinion needs to know that the chairman is routing for her, that challenge, question, but the challenge and questioning and rigour, but that really believe and help you be successful. And I never – throughout our career working together – doubted that. (CEO 13)

Although challenging and being supportive might be seen as contradictory, CEOs assert that these types of behaviour can and should exist simultaneously. For the CEO of a pharmaceutical company, the chairperson was a "senior adviser, with the edge of governance", emphasising the importance of having challenging debates with the chairperson before gaining his support.

I think [the chairperson] is a senior adviser, with the edge of governance. You want somebody who's going to be supportive, but you can't have somebody who just says yes to everything or never challenges or never asks a difficult – what's the point? The chairman lets me do what I want but only after we've done the work to show it's the right thing to do. I think those things [i.e. being challenging and supportive], all those behaviours are perfectly possible to co-exist with a civil, friendly relationship. (CEO 7)

Other CEOs mentioned the chairperson's contribution in advising on strategy, by challenging plans and identifying new aspects not yet taken into consideration by management.

That depends a bit from the situation. In the daily operation I don't seek his advice, because otherwise he would have taken the role. On strategic moves

> *definitely, I take him early on board that he sees the rationale and that he starts to challenge where he thinks that we could think further or better on aspects I have not yet taken into consideration – and there he has his experience and this is great to take profit from.* (CEO 8)

Similarly, one CEO reported having had many conversations with the chairperson, conversations that served to calibrate and refine strategy to address the firm's strategic challenges.

> *I'd have a lot of conversations with [chairperson name], so in a way you're just trying to calibrate – so this is what I think we should do: let's calibrate that. Initially, you had no time so you were basically saying, "We calibrated it crudely; we're just going to do it", but as time went on you were able to calibrate that more, think more, get more data and think about how you refined it.* (CEO 1)

This section has explored additional roles the chairperson plays in relation to the CEO. Evidence suggests chairpersons often play a counselling role which involves a process of emotionally regulating the CEO. This may be especially true in contexts of poor performance and far-reaching change where CEOs are under multiple pressures and face a magnitude of challenges. The chairperson's second role is an advisory one, where we observe a more cognitive dimension of testing, calibrating and challenging strategy-related ideas and dilemmas. The chairperson emerges as the first source of challenge and support (the co-existence of which is believed to be possible within the same relationship), before proposals are put forward to the board of directors.

4.5.3.3 The chairperson as a partner of the CEO

A final role that a chairperson plays in relation to the CEO is that of partner (Stewart, 1991). In some occasions, the chairperson takes on executive responsibility for a particular business unit as a way of handling certain tensions. As discussed above, it is only possible for the chairperson to act as a partner where there exists strong trust and the chairperson has time to devote to role; in addition, individuals' interpretations of their roles must allow for an expansion of traditional boundaries. In one firm, the CEO explained how he and the chairperson shared executive responsibilities between the distribution and commercial units (which report to the CEO) and the development and production units (which report to the chairperson). When tensions emerge between these units they can only be resolved by the CEO and the chairperson working together.

> *… we want the [distribution company] to look at it as a business case and not be forced into a decision. So what we have, what have we done? The UK and the US entities report into the chairman, as being the heart of creativity, as well, so, and the executive, who runs the worldwide distribution business, she reports into me. So, if there's a conflict, it can only be resolved at board level because I don't want distribution to be forced into a deal that they don't like. So then they will have to come forward and, if they don't agree on what to do, and then it is up to the chairman and to me to come to a verdict and make a decision. And that's the sort of, yeah, tension that you feel in the business and it's the way we resolve it, and we've got other examples that come very close to it.* (CEO 3)

Evidence suggests that, when chairpersons and CEOs are not able to share executive responsibility, things can go wrong. One CEO explained how he struggled to address long-term strategy and operational trade-offs due to inappropriate division of responsibility with his chairperson: the chairperson should have partnered with the CEO to handle stakeholders and their long-term demands which would have enabled the CEO to gain clarity and make the appropriate operational trade-offs.

I'm sure the chairman should have helped me, spotted what was going on. We should have had a much better division of responsibilities between the stakeholder management and the executive, the operational side … (CEO 2)

Next, a summary of the chairperson–CEO role boundedness theme is presented.

4.5.4 Summary of chairperson–CEO role boundedness

This theme has explored the interplay between the roles of chairperson and CEO. It has explored the many and complex nuances that exist at the interaction of the chairperson and CEO roles and the importance of enabling effective handling of strategic tensions that arise in contexts marked by far-reaching change, such as technology change, economic recession and financial crisis, and regulatory change.

The first aspect that became evident is that the quality of the relationship between the chairperson and the CEO is critical in determining responses to strategic tensions. The presence of high levels of trust in the relationship (e.g. Kakabadse and Kakabadse, 2007; Kakabadse, Kakabadse and Knyght, 2010) was found to be the platform upon which effective relations are built. In line with previous research (e.g. Coombes and Wong, 2004; Stewart, 1991) it was found that the amount of time the chairperson devotes to the role (along with long tenures) determines not only the amount of routine interactions, which contribute to the development of high levels of trust (e.g. Kakabadse, Kakabadse and Barratt, 2006; Roberts, 2002), but also directly affects the delineation between the roles. These findings are akin to what Kakabadse, Kakabadse and Knyght (2010) termed affective *philos*, of which a high level of trust is the principal component. These relationship qualities enable strategic tensions and challenges to be raised by either of the parties without fear of recrimination, loss of face or other penalties (e.g. Westphal and Bedner, 2005) as well as providing the CEO with a safe context for rehearsing complex and often ambiguous ideas under conditions of uncertainty (Roberts, 2002).

A second dimension of the chairperson–CEO relationship that emerged in this study was the presence of complementary skills, experience and perspectives, in line with previous studies (e.g. Roberts, 2002). Such complementarity of skills, experience and perspectives allows for both incumbents to separate efforts to balance short- and long-term performance (Roberts, 2002:503) but also to develop a more complete – and, importantly, shared – sense-making (Weick, 1995) supported by a similar interpretive capability (Kakabadse, Kakabadse and Knyght, 2010). While both roles individually have responsibility for scanning the environment and interpreting events affecting the firm (as observed in Theme I), they are also required to complement each other and arrive at a shared understanding of strategic tensions and challenges, and the available courses of action. Examples have been shown where a failure to develop a common interpretation of events and circumstances were seen as causes of ineffective handling of tensions.

The issue of role boundary delineation between chairperson and CEO was explored as it was strongly evinced in the data and is often a critical aspect of CEO and chairperson interactions (e.g. Kakabadse, Kakabadse and Barratt, 2006; Stewart, 1991). Role boundary delineation has been shown to be highly dependent on the individual incumbents' own interpretation of role and context within which the roles are enacted and interact. Irrespective of context and circumstances facing the firm, in many cases role boundary delineation was heavily influenced by normative prescriptions enshrined in governance codes and conventional wisdom, *viz.* that the chairperson leads the board and the CEO leads the firm (Roberts, 2002; Financial Reporting Council, 2016). While providing clear boundaries, such arrangements are not sensitive to contextual and circumstantial requirements and change. In these cases, the chairperson often assumes the role of consultant providing advice only at the request of the CEO (Stewart, 1991). Other accounts, however, have shown that CEOs and chairpersons can interpret roles in context and away from rigid prescriptions, to the extent that role boundaries become less important and the incumbents' skills, relationships and experience are the criteria for the specialisation of function and division of labour (Hodgson, Levinson and Zaleznik, 1965). Under these circumstances, the chairperson and the CEO are true partners (Stewart, 1991) in addressing strategic tensions. It was also noted that such arrangements reflect recent evidence that the delineation of role boundaries follows a negotiated order perspective (Cornforth and Macmillan, 2016). Evidence emerged from the study showing that, where there is no agreement on role boundaries, or they fail to adapt to changing circumstances, CEOs often react negatively to a chairperson who is perceived to be curtailing the CEO's power of discretion. Interestingly, chairpersons used similar expressions in two of the cases, describing their roles as "accelerators and brakes" in relation to the CEO; this was perceived by the respective CEOs as being rather constraining.

The exploration of the chairperson–CEO relationship informed a subsequent exploration of three key roles the chairperson may play in relation to the CEO: i) a buffering role in handling expectations from powerful stakeholders; ii) an advisory and counselling role; and iii) a partner role.

The buffering role emerged as central. It was shown how NEDs may exhibit dysfunctional behaviour and how shareholders, investors and analysts may all place expectations upon the CEO to go in particular, often contradictory, directions (Pfeffer and Salancik, 1978). The CEO has been described by Tengblad (2004) as an "expectations handler". Although this function is critical, particularly in contexts of far-reaching change, CEOs often face difficulties in reconciling the disparate expectations into one coherent agenda (Czarniawska, 1985). The role of the chairperson as a buffer emerged in this study as critical in supporting the CEO in this role. Chairpersons were depicted as "sponges", "containers and channels" and "dissipaters of waves", allowing the CEO time and space to develop appropriate solutions that account for the variety of expectations, primarily in terms of short- and long-term performance. The chairperson helps the CEO set the expectations for the board and the market both in terms of time horizons and outcomes. This theme identifies two chairperson characteristics for effective buffering: i) appropriate industry experience and knowledge of the company (with a focus on understanding the critical stakeholders and nature of tensions); and ii) independence (material and of thinking and behaviour).

This theme closed by exploring two additional roles of the chairperson in relation to the CEO. The advisory and counselling roles highlight the importance of the chairperson both advising the CEO on strategic matters and on regulating CEOs' emotions. The role of the chairperson as partner refers to instances where the chairperson and CEO split executive responsibilities to handle strategic tensions.

The next theme is termed "**Chairperson role: leading the board in order to deal with strategic tensions**" and will explore some unique features of the chairperson's role in ensuring the effectiveness of the board's contribution.

4.6 Theme III: Chairperson role: leading the board in order to deal with strategic tensions

This theme explores the chairperson's role in leading the board of directors. It identifies the demands of the role and choices available to the chairperson in enacting the core responsibilities of what being a chairperson means: building and leading an effective board. When chairpersons are ineffective in discharging their role, this may place a constraint on CEOs; hence, CEOs' perception of these elements of the chairperson's role is also discussed.

Three key sub-themes emerged from the analysis of the chairperson role with regard to both demands (what the chairperson is required to do) and choices (how does the chairperson do it and which elements does the chairperson prioritise). A fourth sub-theme concerns how CEOs perceive the board's contribution to strategy. The sub-themes are:

- Determining and managing board composition;
- Establishing board engagement policy and practice;
- Managing board dynamics and contribution with regard to strategic tension-generating topics;
- Board contribution to strategy.

CEO role analysis demonstrated that their own effectiveness depends on how chairpersons implement these features of the chairperson's role. If the chairperson is effective, then these aspects emerge as supportive of the CEO; otherwise, they act as a constraint. Moreover, CEOs perceive their role as being co-responsible for adequate engagement with and dynamics within the board.

4.6.1 Determining and managing board composition

Determining and managing board composition is a demand of the chairperson role. Parker (1990) depicted the UK chairperson role as one of leading strategic change by composing the board in line with the challenges being faced by the firm. This thesis concurs with Parker's study. One chairperson explained:

> *It's my job to change the composition of the board if it is not reflecting what's needed. I asked to see every non-exec, every board member individually and I said to them all there's going to be far-reaching change … But the board has got to change too, and so I'm going to see everybody and then I will tell*

you what shape the board is going to be in and who's going to be on it. (Chairperson 1)

Findings in this study show that the choice of skills and experience (among other attributes) that are relevant for board members considering the challenges facing the company remain at the discretion of the chairperson.

Composition and resource provision. Composing the board so that it matches the strategic demands facing the company emerged as a common denominator on how chairpersons choose to build their boards. While the balance between executive and non-executive directors on boards is largely mandated by regulation (Financial Reporting Council, 2016), chairpersons add the most value by carefully constructing a board the members of which possess the right mix of skills and experience that are relevant within the firm's context. In this sense, board composition is firm- and context-specific and may explain why the vast amount of studies on board composition are for the most inconclusive (Hillman, Cannella and Paetzold, 2000). What emerges from the findings in this thesis is that board composition is determined largely by the chairperson after considering the external environment and the strategic challenges facing the firm. Contingency theorists (Lawrence and Lorsch, 1967) have long argued that organisations develop internal structures that match the requirements of the external environment. In particular, Pfeffer (1972) noted how boards are composed so that the firm's external interdependencies and uncertainty are reduced. Board directors are thus selected on the basis that they can "coopt or partially absorb, important external organisations" (Pfeffer, 1972:222).

Evidence from this thesis shows repeatedly that the chairperson's perception of the external environment and the strategic challenges facing the firm largely determines the choice of board composition. One example comes from the chairperson of an infrastructure firm undergoing restructuring and complex strategic challenges. The chairperson explained the rationale for selecting and nominating directors to the board, stressing skills and experience in the industry and in related industries that have faced or are facing similar challenges, and the opportunity to foster cross-industry learning and bring different perspectives. In addition, other members were selected on the basis of their understanding of the different stakeholders that were important to the company: investor and finance, customers and government.

> *The way the board is constructed, I am looking for a slightly broader footprint of skills and experiences. What I always do is to have two deeply experienced industry operators, so people who actually know how to build and operate in this industry. Two strong financial people, one who runs the audit risk committee … also brings a much more of what I call a retail, rather than corporate, finance. Another director which is very customer-driven, a lot of retail experience, but also understanding aviation, congested airspace, air traffic control, moving people through airports, and a lot of analogies between how those problems have been solved and the problems we face … and how he learnt how to manage lots more people using technology and so forth … I brought one who's got huge experience in capital-intensive asset management and performance and another whose background is actually consulting with government, knows how government works, so again, because of our political stakeholders…* (Chairperson 11)

This excerpt supports research that shows that firms (i.e. chairpersons) change board composition to enhance the resource-provisioning role of directors when the organisation faces uncertainty and changes in dependencies with the external environment (Pfeffer and Salancik, 1978; Hillman, Cannella and Paetzold, 2000), particularly when such an environment is causing poor performance (Boeker and Goodstein, 1991). It also concurs with Pfeffer and Salancik (1978) when they argue that directors provide specific resources to the firm under the form of advice and expertise in a variety of strategic areas: critical information, communication and support from and with important external constituencies; and legitimacy. CEOs in this study find value in boards that reflect the firm's environment and that have the right skills and experiences to scan it and reduce uncertainty and complexity.

> *... you need to have a board which has got the finger on the pulse of every demographic, every trend, of every innovation, of every technical change, of every behavioural change. It comes back then to composition of the board: what sort of people you need to have. Well, you need to have somebody who understands technology, somebody who understands marketing, somebody who possibly understands behavioural, somebody who understands consumer: each of those people can bring one of those little bits of vibration in.* (CEO 11)

Interestingly, chairpersons highlighted the fact that board composition should be able to reflect the strategic tensions facing the business, improving the board's ability to address them effectively. Two distinct means of attaining this have emerged. One is ensuring that the board is composed of individuals who have distinct skills and experience related to the disparate forces affecting the firm. One example (below) came from the chairperson of a company facing significant digital technology disruption. He explained how he valued individuals who understood the legacy business well (store-based, requiring a different organisational and strategic rationale) and individuals who had expertise in web platforms, which was regarded as the future business model. The question for the company was how and to what extent to evolve the business from store-based to web-based, recognising that both business models would have to co-exist.

> *We had a board meeting yesterday which was really the legacy business, a lot about what is happening in execution – and that can be anything from issues in the distribution centres, where there are people on the board with, who can step back and give a different perspective, and on the web platform,*

> *where again we have a lot of, you know, whether it's [NED's name] or others who have real expertise in these areas where they can just give a different perspective.* (Chairperson 4)

Composing the board of experts representing the old and the new allows the debate to be more fruitful and provides a platform for exploring ways to take advantage of the legacy business while evolving to a web environment.

The second means of ensuring the board is composed of individuals who reflect the strategic tensions facing the firm is arguably more difficult to attain. Instead of having separate directors with skills and experience in either the old business model or the new one, one chairperson explained how he was searching for directors who possessed skills and experience in *both* the "old business" *and* the "new business", which is based on digital technology.

> *High-tech, high-touch is really what makes us unique. We are not a high-tech company and we're no longer a just-touch company. It's high-tech, high-touch. I think we move more in a balanced way of what are the elements. But I think I now, oddly enough, I will tell you the one capability that I probably am still looking for is somebody that understands the business. That sounds odd, very odd, but you either have people in this industry that are yesterday's people that know how to run the business of yesterday or you have those who believe that the technological model is the future. But somebody who really understands the marriage between high-tech, high-touch – if you know it, let me know. We have it inside the company but it's, I'm looking for a challenger from the outside that could say, "Oh, but, hey, have you thought about X, Y or Z?" Now it has to come from different angles. And there's nothing wrong then with having two individuals on the board, one with this one and one with the other one, but ideally you find somebody that has it integrated.* (Chairperson 8)

While it is common to observe board members with unique expertise in either the legacy business or the new emerging business, this may also lead to challenges in terms of advising or challenging management's strategic proposals, and require more time and effort to integrate different directors' perspectives. Having members with the skills and experience to facilitate an understanding of both sides of a particular strategic tension (i.e. old business and new business, high-tech and high-touch) appears to provide the board with a greater integrative capability and a greater ability to challenge and advise management.

Composition and cognitive diversity. The chairperson of a manufacturing company highlighted the importance of the board being composed of individuals with "different patterns of thinking" who can challenge conventional approaches to problem-solving. Cognitive diversity (i.e. as opposed to gender or race diversity, for example) is seen as important in enhancing the board's capabilities for solving challenges faced by the company. The importance of cognitive diversity for board effectiveness has been theoretically modelled by Forbes and Milliken (1999), who explain that cognitive diversity would lead to higher cognitive conflict which in turn would benefit the search for more innovative solutions or better scrutiny of executive proposals.

> *It's to try and get a different pattern of thinking, so in my mind diversity has got absolutely nothing to do with either gender or race: it's to do with thinking patterns. And the problem that you have around board tables is a lot of people have come through the sort of school that we've been through. Yeah, you're either a professional accountant or you're a lawyer that's had a similar sort of background and training and we tend to tackle problems in a very similar way. And it is very, very helpful to have people around a board table on a subcommittee who just say, "Why? Why don't we do this?" And you generally get that lateral thinking, as I call it, from people with a different*

background coming through. So I'm a big fan of it, but, as I say, nothing to do, you almost by accident get a bit of it with sex or race… (Chairperson 5)

CEOs in this study agree that cognitive diversity built on diverse experience and skills is important for effective boardroom debate.

I think if you look at, between the chairman and the senior independent director, you would get even more diversity in the way we would look at it. Now, one of those four people come from the sector, so they bring a sector view, one is from a finance world and the other's from a big industrial business but not in the sector, so they come at things from slightly different perspectives. And some have more detailed knowledge of the business than others, right, and that does drive a bit of difference, which is good, because it also, it allows the debate to play out a little bit. (CEO 7)

The importance of diversity of skills and experience on the board was highlighted by other CEOs:

I think the more diversity you have the better, so we have four women on our board, we have people from the technology sector, so experienced professional board members. I think diversity is absolutely key. We needed specific skills; you know, we needed technology skills; we needed web skills; we needed people who understood the airlines. So the diversity is in the ethnicity, in the gender and in the capabilities and skills. (CEO 13)

Notwithstanding the need for cognitive diversity built on distinct skills and experience, boards are a collective decision-making body, and are required to arrive at some form of consensus, sometimes under great pressure and in a very short time-frame. Past research has found inconclusive results on the effect of cognitive diversity (measured as level of cognitive conflict) on board control and service roles (Zona and Zattoni, 2007) and a negative impact on the board's strategic role (Van Ees, van der Laan and Postma, 2008), often implying the necessity of a trade-off between the benefits of cognitive diversity and the loss of group cohesiveness (Minichilli, Zattoni and Zona, 2009). One chairperson described the difficulty of reconciling board cognitive diversity and cohesiveness.

> *I'm a strong believer in diversity, but it has a risk. It makes your board very versatile, very different, which is an asset, but you then also have to make sure that it's a real team, that people don't start thinking from their own angle. And so it to me is the best recipe, but it's also the most difficult recipe.* (Chairperson 8)

While cognitive diversity brings differing solutions and perspectives, which are of benefit in arriving at more robust decisions, it simultaneously has the potential for destructive conflict, making consensus more difficult and ultimately fracturing the board. Chairpersons want both board diversity (option-increasing) and board unity and consensus (option-reducing), which are often difficult to reconcile. However, there is conflicting evidence. Godstein, Gautam and Boeker (1994) found that board diversity as measured by occupational backgrounds of board members had a constraining effect on the degree of strategic change, but this effect was not present in larger boards (i.e. those with less cohesion).

The chairperson's ability to manage difference of viewpoint on important strategic topics while attaining a workable consensus and maintaining board unity has been described as fundamental to the long-term success of the firm (Cadbury, 1992; Kakabadse and Kakabadse, 2007; Taylor, 2001). This has emerged as a role-based tension for chairpersons, as explained at the beginning of this chapter **(refer to Theme I, Section 4.4.2.4)**

Composition and signalling. In addition to this, chairpersons alluded to a signalling function of board composition decisions. A change in board composition signals to the market and to inside the company the commitment of the chairperson to change (particularly if the company is facing problems) and also that change is starting "from the top". In the excerpt below, whereas the previous board was composed almost exclusively of British nationals, the chairperson wanted the board to reflect the variety of countries in which the company operates, sending a signal that the company was not "a UK company" but a "very international one", while ensuring the board had critical resources in both destination markets and customer base. Again, this agrees with the resource-dependence perspective, but adds an additional dimension as to the motives of chairpersons in choosing particular board compositions: i.e. in this case a signalling function. Recent research showed that board diversity can be used to signal firms' product markets or their progressiveness (e.g. that they are forward-looking or socially responsible) (Broome and Krawiec, 2008).

> *… the first action after having become chairman of the board was really to make some changes to the board, and that gave a clear signal also to the inside and to the outside world as to changes starting from the top. And we started recruiting new board members, having a clear picture of what are the views, what are the qualities, what are the skills that we need in order to complement. I think the board members were more chosen as to what's a nice name as to what can they contribute to the business … I said I want to see the best female and I want to see the best male for each of those functions and we chose. We have a board today that over a third is of a different gender than the other and we have a board that today has I think nationalities from Turkey, Belgium, Netherlands, the US and the UK. And so also giving a signal that this is not a UK company. This is a very international company, although it didn't behave like that.* (Chairperson 8)

Composition and industry experience. While chairpersons referred to diversity of skills and experience and the resulting cognitive diversity, none made any particular mention of industry experience. CEOs, on the other hand, described industry experience as both a support and a constraint in enacting required changes. Resource-dependence proponents argue that industry-related experience on the board is critical for firms in gathering important information and links from industry-relevant sources and thereby reducing uncertainty and providing access to critical resources (Pfeffer and Salancik, 1978). However, when industry-related experience dominates, events are likely to be perceived and interpreted through the board's "industry wisdom" (Burrell and Morgan, 1979) and responses devised according to "industry recipes" (Haynes and Hillman, 2010). The CEO of a large construction firm explained how the strong presence of industry experience on the board during the 2008 financial crisis and property downturn helped him devise an appropriate response.

> *The executives on the board had been through previous recessions. There was one non-executive who had been in the industry all the way through. And that was critical to supporting me, because he was the external independent voice, if you like, on the board of: "Are you doing the right things?" because he'd seen it done before and he'd seen it done by lots of other companies ... It was the combined knowledge of the industry, basically, said: we do need to do this very, very fast ... You draw on other people's experiences and try to extract those to get the best plan you can. I always use the board as highly paid advisers. In fact, most of the people on the board by that stage I would say were really contributing to the whole debate and had been through similar things, either through the industry or through their own experiences and therefore they would enable us to calibrate whether we had it right.* (CEO 1)

Another CEO presiding over restructuring in a recessionary environment explained how the board's lack of industry-specific knowledge and skills meant a lack of support for the industry-specific trade-offs the CEO was confronted with under the restructuring endeavour.

> *But it was still a highly operational business and the board didn't really necessarily understand operations ... didn't necessarily understand the*

difficult trade-off that we were making on a daily, weekly basis. They lacked the operational stuff that we had to deal with. (CEO 2)

The above accounts show how industry experience is valued by CEOs. Both companies were facing a downturn yet with no fundamental change in the industry that would have required a radical deviation from industry norms. Other CEOs that were facing more fundamental strategic change viewed strong industry orientation on the board as a constraint to the required strategic change. This is partially in line with Haynes and Hillman (2010), who found that boards with great capital depth (i.e. the same industry expertise as the focal firm) are less likely to deviate from industry norms, somehow constraining the degree of strategic change. One CEO explained how the predominance of industry-expert board members contributed to the company deciding against shifting from industry norms in the direction of technology-based business models.

… most of the board members before at [the company] came from travel, and it was quite sort of incestuous. (CEO 13)

Another CEO who was proposing a radical investment in new technology faced a difficult time in convincing the board of the merits of this strategic change away from industry norms, which he attributed to lack of industry experience and exposure.

… but a lot of people, actually, they didn't have particularly the skill sets, industry experience or exposure. (CEO 3)

Board composition emerged as a chairperson role demand. Chairpersons retain significant discretion on board composition, particularly in terms of skills and experience. Chairpersons emphasised the importance of ensuring that the board was composed of a mix of skills and experience that adequately reflect the firm's environment and the strategic challenges and tensions being faced. The resulting cognitive diversity helps in devising more comprehensive responses to company challenges. Board composition was observed by chairpersons as serving the purposes of reducing external dependencies and uncertainty, increasing legitimacy, advising management, and signalling the direction of change to external constituencies. Accounts from CEOs spotlighted how influential is the proportion of industry-specific knowledge on the board. CEOs facing fundamental changes in industry saw this as constraining strategic attempts to change from “old” industry norms, whereas CEOs in environments where industry was recessionary but not fundamentally changing saw high levels of industry expertise as value-adding.

While board composition is a fundamental area of demand and decision-making for chairpersons and it lays the foundations for an effective board, it is of little value if there is poor engagement by the board with the CEO and the business. This emerged as a further demand for the chairperson, and is explored next.

4.6.2 Ensuring adequate board engagement

In addition to determining and managing board composition, a key chairperson demand is to ensure adequate level of board engagement with the business and with the CEO. How chairpersons establish and develop board engagement policy and practice, determining board agenda and organising board work are discussed next.

4.6.2.1 Non-executive directors’ (NEDs’) engagement with the business

Chairpersons are charged with the responsibility of dictating and promoting the expected levels of NEDs’ engagement. High levels of NED engagement are perceived by chairpersons as promoting NEDs’ knowledge about the company and its challenges, and hence better equipping them to discharge their duties of challenging and advising management. One chairperson explained his approach:

… and the board members have total carte blanche to go wherever they like in the company. They can go into executive meetings, R&D research, product marketing, the management meeting that the CEO chairs, visit any research establishment, any manufacturing or commercial unit, find out what's going on, ask questions, be better informed and hopefully more able to add value when it came to looking at the issues and challenges. No chaperoning – and initially I said, "Go and be a fly on the wall, but if you need to ask a question, ask a question", and that is now part of the way the company operates. And I always had that right, if you like, but I wanted to make sure all my board members did. (Chairperson 3)

The chairperson of a large retailer explained his approach of ensuring that non-executive board members are close to the business and connected with the business reality.

We actually have quite a few breakfasts where non-executives come in here and talk to people of all levels in the business, because we really want people to understand what the board does. And I think it always surprises people in the business how in touch the board is with day-to-day life here, because normally you would think this is some remote thing that you never see. But actually I think almost all of our non-execs have been in and done these employee breakfasts and I think that's really valuable. And I do a number of them as well and they can get a sense of "should I trust these people to both hold to account and challenge?" but also encourage the executive team, because I think they expect that from a board. (Chairperson 4)

Past studies in UK and US contexts identified that effective chairpersons ensure these engagement practices are part of their board culture. Having access to independent sources of information (e.g. by visiting operations, directing questions to lower levels of management, and accessing company documents) have been identified as effective chairperson practices that contribute to effective NED role fulfilment as regards monitoring and advising management (Carter and Lorsch, 2004; McCabe and Nowak, 2008; Pettigrew and McNulty, 1995; Roberts, McNulty and Stiles, 2005).

It is thus up to the chairperson to set the tone and expectations of NED engagement and contribution (Roberts, McNulty and Stiles, 2005), enabling them to gain access to unfiltered direct information from different business units, employees, customers and other stakeholders. This allows NEDs to move away from a management-feeding process and be more effective in challenging and advising management.

4.6.2.2 Board engagement with the CEO

Board–CEO engagement is another important aspect for the chairperson to manage. As noted by several researchers, strong and engaged boards mean effective chairpersonship (e.g. Bailey and Peck, 2013; Leblanc and Gillies, 2005). Regarding board–CEO engagement, two aspects are salient in this study: i) the need to engage with the board in a timely manner regarding strategic tension-generating topics and; ii) supportive engagement between the board and the CEO.

Engaging the board in a timely manner regarding strategic tension-generating topics. The chairperson of a large pharmaceutical company explained how he implemented a change to CEO–board interaction. Topics that were a cause of tension were raised in good time with the board, allowing the board to understand and explore them with the CEO before problems materialised or major commitments were made. This in turn demanded greater engagement by board members with the business challenges.

> *… I wanted to change the way the board and management interacted. So that meant that what I wanted from the CEO was that he would bring ideas to the board at an early stage of development, recognising that some of them would be half-baked and jumped, but giving the opportunity for the board to interact at an early stage and understand therefore what he was trying to achieve …*

That then placed a demand on the board to be much more engaged than they had been, so they understood more deeply the issues and challenges that the company had. So we evolved, both he raising subjects early on that concerned him; sometimes they were late because it was an emerging risk that suddenly hit us. (Chairperson 3)

Another chairperson from a large tobacco company reported a similar practice in CEO–board interaction. Here, the disruptive potential of e-cigarettes is a constant presence. Interaction allows the continual exploration of the company's position in the face of this emergent threat.

… off the top of my head, probably six or seven briefing papers over a year or two years, 18 months probably, and the board is fully engaged. But much more engaged from an education point of view: "Do you guys think we're sort of going down the right track?" But, no, the board, no, very focused – important issue. (Chairperson 4)

Another chairperson explained his role in ensuring that the CEO and the board discuss tension-generating topics early and continuously.

… my role here would be kind of to ensure that the board was completely informed and involved in these huge changes, right through, not just one-off, but steadily and continuously. (Chairperson 2)

CEOs expressed similar views about CEO–board interaction, that is: in raising potentially tension-generating topics early with the board, so that engagement built slowly, directors became increasingly aware of the tensions and gained trust in the way the CEO was addressing them. If such tensions become salient and materialise as issues, the board is in a comfortable position to support the executive.

… quite often we'll produce for the board what looks like a board paper, what looks like an authorisation paper – but isn't – and essentially it goes to the

board with a condition that there will be no decision taken, but it gives everybody a safe environment to explore how they feel about this option. Now, the deal is: you can't criticise us, so the risk of that is that you could say, "Well, look, you've taken five ideas to get what you want. One said turn right, one said turn left, one said go forward. And you didn't do any of them. Do you know what you're doing?" Right that's – which is where I think some people could lack. My view is the only way to really give the board a clear view of where the solution space is, is to be able to explore the solution space … the value of the board is at its maximum when the option is being initially considered, and it diminishes as it becomes more crystallised. And the reason for that is: because in a company this size you'd expect a lot of the details to be, you would not expect a useless proposal when you've got a company of this size. (CEO 7)

Time and again CEOs explained how ensuring boards' early and continuous engagement with strategic topics allows confidence, awareness and understanding to grow, so that, when and if a decision is required, there is a history of interaction and thinking on the topic. This engagement process allows the CEO to understand each individual director's views and preferences, and shape the proposals to accommodate these views, before submitting to the board for a decision.

We're always engaging with topics. So what we tend to do is: we will put a topic into the board to get a discussion round about it, to get their views and input, so as we essentially shape things before we get to the decision. Because what I don't like is: I do not like forcing people to have to make a decision. Because I don't want people to be uncomfortable … you fight battles you know you're going to win. I'm not going to take things into a board that I've not rehearsed. I've got an understanding of how [director A] thinks or how [director B] thinks. I haven't spent time thinking about what their pluses and minuses are and how their behaviours will end up. (CEO 9)

Some CEOs described the relationship with the board as transparent and open (i.e.

any issues can be debated) and indicated the importance of having opportunities to meet informally outside normal board meetings for providing the right context for good debate and discussion of important issues.

> *… we have a horribly transparent relationship; there are very few things that the board doesn't know. We deliberately have two mechanisms of the board which work extremely well. So the dinner, the board dinner, which very often will be me on my own with the non-executives, we're entirely free-flowing and strategic: What's happening? What do we think about the environment? What do we think other companies are, so where are the big scary issues? So they'll be regularly, and very often there will be over a period of two or three years, the same subject might be covered in 70% of those meetings, not super detail.* (CEO 7)

Chairpersons and CEOs both indicated that successful board–CEO engagement needs to be based on strategic topics – threats and opportunities – in a climate of openness and transparency that allows difficult issues to be discussed. This is often facilitated by encouraging informal dinners and opportunities for engagement outside the traditional, formal and minuted board meetings. Engagement is depicted as an ongoing process in which strategic topics are raised early (and sometimes stay on the agenda for years) so that the views of individual board members are heard before the CEO commits too strongly to a course of action. This allows directors to gain trust about how strategic tensions are being addressed and gives them a continuous feed about how executive thinking is evolving.

Supportive engagement between the board and the CEO. Building ongoing board engagement regarding strategic business challenges allows a continuous alignment to be built between the board and the CEO. Such continuous alignment ensures there are no surprises for the board when strategic challenges precipitate action. Because the board has been continuously engaged with the topics and a shared understanding of the issues has been slowly built, trust has developed and the board more readily engages with the necessary decisions in a supportive manner. CEOs in this study all agree that when engagement with strategic topics is done openly and progressively in the manner described above, the board is more likely to show support for decisions when they become due.

> *… it's about taking them on board, it's about involving them, it's making them feel they're part of the decision-making. It's about – and this is where boards in total, i.e. non execs and executives, if they work together, can be very unified and very strong and all speaking off the same song sheet.* (CEO 11)

Two further CEOs explained how they felt total unity and alignment between the board and the executives when the time came to make difficult decisions about ongoing strategic tensions.

> *… in the world of trying to deal with a myriad of complex issues and stakeholders with the board 100% behind you, I knew I could rely on them. You couldn't get a cigarette paper between the executive and the board, so as we went to the outside world we were unanimous.* (CEO 2)

> *… they trusted what we were saying … that's where a board moves, in my humble opinion, from being one which is construed as an unnatural work team by the essence of what governance says: it's where you want them then to coalesce, when you have a problem, to be a natural work team … it's really important the board takes that same approach, which says: so you've got to have unity; which says: we were supportive of the executive doing this, the whole board was supportive of it, because quite often we get "where was the board?" and you say the board was absolutely 100% behind us.* (CEO 10)

When engagement is done in this way it reduces the time needed to respond to strategic issues that materialise requiring immediate action.

> *… it was a conversation with my executive colleagues, and obviously the board were heavily involved in this. They were, obviously, they could see what was happening. We were keeping them very informed on it. [The board was] interested in we were taking action, the necessary action, as fast as we could, and then it was about reporting back to them the progress that we were making.* (CEO 1)

Chairpersons have overall responsibility for ensuring adequate levels and quality of engagement between the board and the CEO. It is for the chairperson to set expectations about engagement and how the board is to interact with the CEO. Obviously, engagement is a two-way process and the CEO needs to play his or her part in keeping the board informed and engaged. In addition to setting the tone for board–CEO engagement, the chairperson has an additional responsibility to determine and organise the board agenda and work in such a manner that quality of engagement is attained. This is discussed next.

4.6.2.3 Organising board agenda and working for engagement

Chairpersons have wide-ranging choice in shaping board agendas, and ensuring that the board engages with tension-generating topics appropriately. Setting the board agenda, and avoiding the domination of the CEO in this process, has been consistently cited in research as an important chairperson responsibility (Bailey and Peck, 2013; McNulty et al., 2011; Pettigrew and McNulty, 1995; Roberts, McNulty and Stiles, 2005). In this study, the chairperson of a large tobacco company explained how the threat of e-cigarettes as a substitute for the company's product is a recurring issue on the board agenda.

> *E-cigarettes exactly the same [i.e. regular item on the board agenda]. We're very conscious that it could be very disruptive, or people talk about it as the Kodak moment potentially for tobacco. We don't think so now, but we are alert to it and we think that we have enough rigour into the process to work*

out at what point it flips that we can be genuinely fast followers. (Chairperson 5)

Another chairperson was decisive when asked about his role in dealing with strategic tensions. In a business facing technology disruption, which requires a transition to a new business model based on digital technology, the chairperson highlighted his role in ensuring that the tensions between legacy business and new business get into the board agenda and are challenged vigorously.

My one job which I can do as a chairman is get these issues on the table: like the legacy issue, it's really useful. I've got a good board who care, they're engaged, they challenge, but it's not this niggling kind of challenge that they teach people on strategy courses: some nonsense, babbling on like this. I just want to say, "Come on, give me something substantive. Let's get into the business. Don't sit there and try to be cute by asking piddling questions." (Chairperson 2)

Chairpersons respond to strategic tensions by ensuring they are present on the board agenda and that robust discussions happen which allow a continuous common understanding of those tensions and the strategic direction. This enables board members to confront the tensions on an ongoing basis and continuously monitor and calibrate executive thinking and strategic proposals.

The chairperson has wide-ranging choice in how to organise board activities. This includes the number of formal meetings to be held in a given year and the areas of focus in which the board can add value. Chairperson 2 described how he organises the board work.

I determined the board would focus on four things where we could add value – the whole idea was adding value. So: governance, strategy, business performance monitoring and people – and that's it, and we focus on that. So *we, our six meetings have one of those things as the theme: they're almost completely devoted to that, and all the administration, we don't let our agenda. The agenda goes out before the board, well in advance of the board meeting, and people, if there's something they want to focus on, we bring the people in or we talk about it, but that's not why we're there primarily. So we do business performance at our, logically in London, and our annual results in, at the end of February – that includes a whole variety of setting, that's the operating plan for the year, there's the treasury, liquidity planning, risk analysis, but it's business, we do that in February, and we do it again in July, late July at the interims, which again makes sense, because that's when we have all our numbers fresh and we're ready to go; we spend a lot of time on business planning. We focus on governance and shareholder issues in April because that's our AGM, so we bring ourselves up to speed on all the governance and shareholder stuff, so that's logical. So that leaves us June, October and December to focus on strategy and people, which is great. So, and then, in December, we kind of do a very quick strategic plan wrap-up and say, "OK, this is what we said the world was going to look like. This is where we were going. Has anything changed?" And, if we say then, whoops, we'd better, and then we spend the rest of the time on succession planning of people.* (Chairperson 2)

How the board functions, however, may need to be changed according to circumstances. One chairperson explained how he increased the number of meetings as well as the level of information brought before the board during the 2008–2009 financial crisis.

Our normal board cycle, they meet every year and, I forget, it was 2008, 2009, we had 30 meetings one year and just about the same the next year. And that had two effects. One is: it denied the opportunity of saying, "Well, you, you've moved into a place where I wouldn't be happy with", but, secondly, it actually had the opposite effect, is they felt that they could, because it wasn't just, there was, "Here's the latest", it was "Here's the problem: what, how are we going to solve it?" They were deeply involved, and I absolutely reached out *to each and every one of them to do that. And some were better than others at coping with that, but they, no one could say there weren't given a chance to say their bit …* (Chairperson 9)

Chairpersons have freedom of choice in organising board work and the frequency of board meetings and also in defining the priority areas. It is also up to the chairperson to make changes to the board's function that reflect changes in business circumstances.

Chairpersons also have freedom of choice to decide when special subcommittees are required to address non-programmed issues as well as deciding who sits on committees and subcommittees. Since Cadbury (1992), audit, remuneration and nomination committees have been progressively adopted and are now established in the vast majority of FTSE publicly listed companies. Such committees, it is argued, constitute strategic tools to increase external legitimacy and ensure specialised monitoring and control of executive action (Harrison, 1987). Other studies have shown that non-executive directors working simultaneously in remuneration and audit committees might find it hard to reconcile a strategy and monitoring function (Spira and Bender, 2004). Less discussed in the literature is the impact of board committees and subcommittees on information flows and overall NED engagement. In this study, chairpersons see committee work as necessary for addressing particular emerging topics of concern, but they also see committees and subcommittees as dangerous, as they can exclude some board members from important decisions, and place them at an informational disadvantage, thereby breaking down engagement. One chairperson explained:

There'll be a subcommittee. We always form them when there's something big going on. For example, M&As: we will always run a subset of the board and I will always make sure that the skills I want are there. I tell those people they've got to just free up their diaries, and I will speak to them if they are having problems. And we do meetings late at night and we do meetings on

> *Sundays. And so we've got that added flexibility: mandatory they attend. But the rest of the board is always informed when we're having a subcommittee meeting and they are all invited to attend, but they're not mandatory attendees.* (Chairperson 5)

This concern about the potential for committees and subcommittees to break information flows and engagement was expressed several times.

> *… even though we have committees, everybody is free to join every committee and, yeah, as a matter of fact, everybody joins every committee. So they are not a full voting member but everybody is, and so there is not a two speed or two level of intelligence – particularly dangerous in my mind when it comes to audit that the audit people know so much more than the non-audit members. So all board members were continuously on the same level of information.* (Chairperson 8)

Such concerns by chairpersons echo the concerns of Sharpe (2012), who warns that increased formalisation of structure and complexity of boards may have unintended effects on the processing of information for good decision-making. To ensure that committees and subcommittees are not a constraining factor, some chairpersons choose to have an open policy where every board member is invited to sit on committees and subcommittees, thereby enabling an equal level of information and engagement of non-executives on important business topics.

4.6.3 Managing board debate, dynamics and contribution

In this study the chairperson role has been depicted as one of leading the board. Critical areas of chairperson decision-making revolve around board composition, policy and practice regarding engagement, and organising the board agenda and work. All these aspects lay the foundations for effective contributions and dynamics during board meetings. The chairperson is the key individual who chairs board meetings and manages board dynamics and contribution, assuming a pivotal role in maintaining a climate of trust and openness, ensuring that tensions are fully confronted without the board losing its unity (also discussed in **Theme I, Section 4.4.2.4**). These findings are in line with previous studies and are discussed next in greater detail.

4.6.3.1 Managing board dynamics and debate on tension-generating topics

Chairpersons emphasised their role in marshalling board members' expertise and experience, allowing for different perspectives to be debated freely inside the boardroom. It is also part of the chairperson's role to act as the integrator of differing perspectives by summarising and concluding on the different views brought by board members on particular topics. The ability of the chairperson to conduct effective board meetings by means of open discussion and debate has been noted as a critical feature of the chairperson's role, and one that has a decisive impact on board effectiveness (Bailey and Peck, 2013; Garratt, 1999; McNulty et al., 2011; Pettigrew and McNulty, 1995; Roberts, McNulty and Stiles, 2005).

> *... when you get to chairman level, you need to do a lot more of: right – this is the issue; what do people think? And let the debate go, maybe direct the debate a little bit, pull people in, but try and let the debate happen. And then conclude and summarise and let the decision be a board decision rather than a chairman decision.* (Chairperson 5)

The importance of having a good-quality debate that builds on board members' different experience and skills is perceived by chairpersons to be important, particularly with regard to difficult strategic items that are by their nature contentious. The chairperson's task is to ensure that board members do collide and have constructive conflict, but also to summarise and facilitate the integration of different views. The role of the chairperson is to expose tension points rather than avoid them, promoting open debate and healthy levels of cognitive conflict. One chairperson explained his view:

> *… these are the situations where there's lots of issues and lots of judgements to be made. And a good board should be one that can debate those issues openly and can manage argument successfully. The job of the chairman is making sure that issues come on the table and people do collide. Now it, you would love to think the board will be as one, there will be no conflict, but actually there are issues – discuss them, otherwise you will make a wrong judgement. But the executive team need that supportive guidance, and that doesn't just mean saying yes.* (Chairperson 1)

Some CEOs expressed agreement on this point:

> *Now, some boards, I think, either don't want to talk about things which are not real and some executives don't want to talk about scary stuff that could be very dangerous. You need to get rid of both of those aspects and those discussions have to happen.* (CEO 7)

In line with previous findings, it is for the chairperson to acts as a "conductor", manage dissent and work towards a consensual common view, setting the tone on governance matters (Leblanc, 2004). Such a key requirement requires the role incumbent to be acutely aware of the board climate, sensing changes in mood, and understanding changing dynamics (Kakabadse et al., 2001).

Time and again, chairpersons emphasised the requirement for tension-generating topics to be fully discussed while ensuring that boardroom conflict remains constructive. It is up to the chairperson to ensure that all non-executives have their say in order to maximise the knowledge and skills present in the board, bring in different perspectives, and ensure collective engagement and accountability.

It doesn't mean that you should never have disagreement in the boardroom, no, but you should be careful: you should dose it because if you, either it becomes a vote of non-confidence vis-à-vis an individual. The challenge for a chairman has to make sure that touchy items become a topic and not an item from the CEO. On the next board meeting we have two what I call topics, and everybody can there say draw a line or raise a flag because it's a topic. It's different versus if the CEO would say, "This is what I want to do", because then you have to say no to the CEO or yes to the CEO. But here it's brought as to "this is a topic" and everybody just, you have a guided discussion ... During the board meetings you make sure as a chairman that everybody has his point of view because you have different characters. You have some people that are very talkative. There are some people they are just saying nothing, but once they say something it's dot on. But try to make sure that at the end of an important discussion that you go round the table and ask each member their view, so they can't hide by saying nothing. (Chairperson 8)

Boards that are unable to cultivate open debate and challenge on tension-generating topics are seen as dysfunctional and unable to cope with decisions on strategic tensions when they become inevitable. One chairperson new to the firm explained how, during a board dinner, he questioned executives openly and challenged their answers, which came as a shock, as this had not been a practice of the previous incumbent. In fact, this firm had severe financial and competition problems and ended up bankrupt despite the chairperson's efforts.

And, indeed, when we went to the management in the US for the first time as a board, and I did a board dinner the night before and I chaired the conversation then. I went round and questioned every executive from the US management team in front of everyone else. That had never happened before. Apparently, they were quite taken aback by that: the process and the detail of the questions. And having the pushback on the answers. (Chairperson 7)

One highly experienced chairperson made the case for the criticality of having open and frequent boardroom debate and challenge on important strategic issues. The chairperson needs to set the tone for the discussions inside the boardroom:

> *… the board that is incapable of having debate or, if it's a very frequent thing, you'll find that lots of boards don't want, and the chairman will intervene when people start arguing and they'll close it out, take it outside the meeting. But that board is going to be tested when you get into this moment of challenges and, because it's not capable of facing into the issues, will fail. No, but the point is to have that debate. If you have argument in a board, you have to have security in the board, security meaning people; there's embedded trust and respect, and "I think your contribution is worthwhile; you think my contribution's worthwhile", so we'll listen to each other, express our views clearly, listen clearly and not think this is somehow a career-threatening, life-threatening event to have a difference of view.* (Chairperson 1)

When boards are able to discuss strategic issues freely and constructive challenge is part of the board's culture, the company benefits from different perspectives that make for a better-informed strategy, avoiding the dominance of one particular view.

One chairperson described a situation in which the contribution of all members was important in reaching a consensus about the company's competitive advantage in a situation of restructuring and technology disruption. He described how the CEO's vision was to move the business entirely into the digital space, whereas the contribution of other board members provided a counterpoint, favouring the retention of a physical presence in stores.

> *The CEO's vision would probably in its more extreme be initially through a storeless society with massive online booking without an airplane and maybe even without a product. Really the magic intermediate. And [executive A] would then say, "Hey, but if you don't have a product in this kind of industry,*

> *you're not going to have anything. You need product." And that brought in the focus of product. The CFO brought in the element of finance in terms of, "Hey, but your airline isn't all that bad. It eats a lot of capital, but at the same time if we are moving into a sale and leaseback, it really can bring some capital in there." So they're, those are examples where you have a discussion.* (Chairperson 8)

In contrast, one CEO (who viewed his chairperson as ineffective) explained how he feels boards are unprepared to deal with major tensions where solutions are not obvious and trade-offs are required. Lack of time to reflect on tensions and a tendency for boards to prefer quick solutions were described as impeding boards' contribution to difficult strategic tensions. In such boards, he asserted, loud voices and personality often drive decisions.

> *Boards tend to like to find solutions to problems. Where they struggle is where there is no solution to be found. And where you, where you've got to make a trade-off and your personal trade-off is driven by your value set, and my personal trade-off is driven by my value set, and somebody's got to make a decision in that. Those are difficult and they simply don't have the time to really reflect on the trade-offs, the different perspectives, and quite often, too often, the decision is influenced by personality and loud speaking. People who shout and are passionate about it.* (CEO 2)

He continued by describing the boardroom environment during board meetings:

> *Board meetings weren't as challenging as they might be. We weren't getting the benefit of the non-execs' experience. They weren't coming forward with, "Have you thought about doing this?" "Perhaps if we did that?" or "I've been listening to a stakeholder and they think a little bit more of this, a little bit less of that" type stuff. So it was quite a passive board. It really didn't engender any real dialogue in collective problem solving.* (CEO 2)

Having brought to light the chairperson's role in setting the tone for board debate and fostering vigorous discussion on strategic tension-generating topics, we now turn to the involvement of the board in the firm's strategy. The extent to which the chairperson wants the board involved in strategy (O'Neal and Thomas, 1995), the agenda for board meetings, the process and conduct of meetings, and the role of away-days or informal dialogue between the board and the executives (McNulty and Pettigrew, 1999) all count among the factors determining the degree of board involvement in strategy, and which also emerge in this thesis. Past literature has portrayed board involvement in strategy as a passive–active continuum (e.g. Demb and Neubauer, 1992; Hendry, Kiel and Nicholson, 2010; Zahra, 1990). Scholars propounding the passive–active continuum have found that UK boards play an active role in strategy, challenging managerial perspectives, especially in times of crisis or poor performance (McNulty and Pettigrew, 1999; Stiles and Taylor, 1996, 2001; Westphal and Fredrickson, 2001), and chairpersons' accounts in the present study suggest this is the case. Insofar as directors draw on their knowledge, experience and skills to influence management and shape strategy, they assume the role of resource providers (McNulty and Pettigrew, 1999). However, this thesis challenges this idea of the passive–active continuum, in that it "assumes linearity in the strategy process, but strategic decisions often evolve through complex, non-linear and fragmented processes" (Hendry, Kiel and Nicholson, 2010:35). Chairperson accounts in this thesis on how board meetings require the board to adopt an active and challenging position with regard to strategic tension-generating topics and management proposals suggest that, in fact, strategy resembles more of a highly contextual, interactive and complex practice where active and passive behaviours co-exist (Carter and Lorsch, 2004). Boards participate in strategy by continuously interacting with management and other stakeholders (Jensen and Zajac, 2004; Useem and Zelleke, 2006). Recent research on "strategy as practice" found that boards focus more on "interactive strategising" (as opposed to procedural strategising) involving "direct face-to-face interaction between senior management and other organisational actors in order to influence the development and execution of strategy" (Hendry, Kiel and Nicholson, 2010:37). Such strategising practice is seen as a "interpretative practice" which enables "top managers to argue for their own interpretations of strategy" relying on "social exchanges in which individuals and groups communicate, persuade, negotiate (and re-negotiate), continuously building shared frameworks of meaning about strategy in order to influence each other behaviors" (Hendry, Kiel and Nicholson, 2010:37). Importantly, such "interactive strategising" is likely to be used when the board's strategic stance favours a change in strategic direction. Such is the case in this thesis. Similar ideas have been put forward by O'Shannassy (2010), distinguishing between the board's role in shaping strategic thinking (conceptually similar to interactive strategising) – which is continuous (all year round), creative, people-oriented and combines rational and generative processes – and its role in strategic planning (procedural strategising), which consists of episodic, rational, convergent and programmed activities.

In this section, the role of the chairperson in determining the quality of boardroom debate and in fostering constructive conflict around strategic, tension-generating topics has been discussed. Also discussed was how chairpersons critically determine the degree of board involvement and influence over the firm's strategy. These observations primarily focused on the role of the chairperson in conducting board meetings. But how do CEOs see boards' influence on and contribution to the firm's strategy when the firm is underperforming and facing substantial strategic challenges? This is the topic of the next section.

4.6.4 Board contribution to strategy

Chairpersons' perspectives on the role and contribution of the board – especially the numerous examples of challenging boardroom debate around strategic tension-generating topics – would indicate that boards participate substantially in determining the strategic direction of the firm. However, chairpersons' accounts were unclear regarding the real influence of board debate on strategy. CEOs' perceptions of the actual contribution of the board in determining strategic direction emerged as distinct from those of the chairpersons. It appears that, notwithstanding the boardroom process described by chairpersons, the *actual* contribution of the board to strategy is seen by CEOs as marginal and incremental at best. The board appears to function more as a source of legitimacy that supports the strategy which is largely determined by the CEO and the top management team.

One CEO explained how the board "mostly went along" with the executive ideas on strategy in a firm undergoing a strategic transformation.

> *Every year we had a strategy meeting which lasted two days, and all of these ideas came out of those meetings. And I'd introduce them and we'd have a sensible discussion about them. Mostly they went along with our ideas.* (CEO 11)

CEOs might identify areas where board contribution is welcome, implying a limit to the scope and depth of board contribution. One CEO explained:

> *The board's role in the transformation is to keep our back free and to be supportive on what we are doing and to challenge the plans where we think, "That is a good idea". So that is something I expect from the board. And there, I think, the board is really somebody who has to challenge us and has to not just look into the financial KPIs, but as well to back us in our way that*

> *we say there are other things which are as important to get to before we then may get to brilliant financial results.* (CEO 8)

A different account showed how the board had been supportive of the CEO's strategy, offering relatively a marginal contribution to the overall strategic direction of the company.

> *Totally supportive, absolutely the right thing, stick with it. And when it came to budgets and things, then actually the board probably pushed us a little, maybe in the time of austerity we were, you could accuse us of sandbagging a bit on forecasting. And so, I think, the board did a good job of again creating some tension there between the board and the execs to make sure that, in spite of the fact that we were in a little bit of a reining in, particularly on costs, that we were sufficiently ambitious in terms of revenue, with a view to being more ambitious on actually investing. I always found the board a) pretty supportive and b) not really ever coming up with any rocket science, but just sometimes giving you that little push to do something that you know you ought to do anyway.* (CEO 6)

Another CEO emphasised again the supportive nature of the board's role, asserting that the co-development of strategy is between the CEO and the executive team with the board playing a minimal role.

> *The role of the board was to be as supportive with me as possible, probably. I'm a great believer that everything must be as transparent as it can be. So, I always work in making sure everyone is onside as best possible. I actually think the co-developing [i.e. strategy] comes from my people.* (CEO 9)

CEOs emphasised the urgency of responses to company challenges as hindering boards' capacity to contribute more to the overall response and strategic direction. One CEO explained that those boards that have the greatest positive impact are those that recognise the need to respond quickly and go with the management programme, simultaneously stressing the board's role of as one of providing legitimacy, ultimately approving strategy as the "representative of shareholders".

> *... the board is the representative of the shareholders. You can't go off and make all these changes – particularly if they have input in terms of taking out people, restructuring the business – you can't do that unless you've got the board's support: not unless you're suicidal and want to be short-lived. Boards that have the greatest part, the greatest positive impact, are those that recognise that, if you are the board of a company going through an enormous transformation or change, you've got to get with the programme; you've got to be faster, pacier, able to take more risks, as well as challenging and being more rigorous.* (CEO 13)

A similar idea was conveyed by other CEOs:

> *Well, because it was happening so fast, it didn't feel like the board was saying, "Oh, hang on a minute." It was more: "This is what we're doing." It was a relatively constant discussion. What the board were, I guess, interested in was: we were taking action, the necessary action, as fast as we could, and then it was about reporting back to them the progress that we were making.* (CEO 1)

> *... but you go through a series of issues here. You have to bear in mind that the executive team has worked through this and the board is catching up with it later.* (CEO 14)

The evidence presented above suggests that, from a CEO perspective, and in spite of challenging discussions during board meetings and strategy away-days, boards are largely supportive of the strategic proposals initiated by the CEO. CEOs used expressions such as "mostly they went along with our ideas", "the board challenges the plans where *we* think it's a good idea", "[the board] never really coming up with rocket science", "my co-developing comes from my people [i.e. executive team]", "boards … have to get with the programme", "it didn't feel like the board was saying, 'Oh, hang on a minute'" and "the board is catching up with it later". These expressions suggest that management controls the development of strategy and boards largely conform with management proposals, after probing the underlying assumptions.

The firms referred to by CEOs in this study were all experiencing poor performance and many were in real crisis situations. Contrary to extant research which sees boards as having a greater involvement in strategy during crisis and poor firm performance (e.g. McNulty and Pettigrew, 1999), CEO accounts reveal that, while the participation of boards may increase, their actual contribution in directly influencing strategy is apparently reduced. One explanation is that, in some situations, board influence is enacted by selecting a CEO with the desired experience and who favours directors' views on a particular strategy (Westphal and Frederickson, 2001). However, other factors emerged to explain the apparent limited contribution, namely: i) the velocity of environmental change; and ii) information asymmetry between the board and the management. During times of crisis and acute poor performance, events often occur very quickly and management often needs to respond before they have a real chance to discuss it in depth with the board. In addition, the pressure to respond to dramatic changes in performance during a crisis renders boards unable to deeply scrutinise the required decisions, or make dramatic changes in the strategy proposed by management unless the strategy is seen to be inappropriate. Information asymmetry between the board and management further constrains board involvement and contribution (O'Neal and Thomas, 1995). Underlying some of the CEO quotes is the still dominant belief that strategy initiation, development and implementation is the CEO's exclusive domain (refer to **Theme IV, Section 4.7.2**). Zahra (1990:116) called this "an unspoken territorial imperative", which, despite evidence of greater board involvement in strategy, still underlies much of board–CEO exchanges.

4.6.5 Summary of the chairperson role: leading the board in order to deal with strategic tensions

This theme has explored the role of the chairperson in composing and leading the board during times of environmental change and poor performance which cause strategic tension.

Chairpersons have substantial freedom of choice in determining a number of critical board features, policies and practices for enabling effective handling of the strategic tensions and challenges affecting the firm.

The first area of responsibility and choice for the chairperson is determining and manage board composition. It was shown that chairpersons take on a resource-dependence perspective (Pfeffer, 1972; Pfeffer and Salancik, 1978; Hillman, Canella and Paetzold, 2000) by ensuring that the board is composed of directors with the right mix of skills and experience that reflect changes in the external environment and the strategic challenges being faced by the firm. In addition, chairpersons compose their board so as to ensure "cognitive diversity" which equips the board with a greater ability to generate different perspectives on strategic problems. It has been shown how CEOs in this study considered boards with too much or too little industry experience a constraining factor in initiating strategic change (e.g. Haynes and Hillman, 2010). Chairpersons described the role-based tension experienced in attempting to maximise cognitive diversity, with its concomitant cognitive conflict, while simultaneously aiming for cohesion and meaningful consensus (Cadbury, 1992; Kakabadse and Kakabadse, 2007; Taylor, 2001). Chairpersons have been found to also use board composition to signal commitment to change to important stakeholders as well as communicating the company's identity (Broome and Krawiec, 2009).

A second area where chairpersons have a critical role is in determining board engagement policy and practice and creating the conditions for engagement to be effective. Chairpersons shape non-executive directors' (NEDs') engagement with the business by ensuring they can visit operations regularly, speak to other levels of management and access company documents. This allows NEDs to acquire information independently and reach an objective view of how the company is performing, allowing for more effective monitoring and advice to management (e.g. McCabe and Nowak, 2008; Roberts, McNulty and Stiles, 2005). In addition, chairpersons establish the rules and tone of engagement between the board and the CEO. It has been shown how the board can provide a more effective contribution if strategic, tension-generating topics are raised in a timely fashion with the board, allowing for NEDs to contribute before too much commitment and detail has been built into proposals, or before decisions are due. This allows boards to demonstrate supportive engagement when tensions materialise and decisions are required, because they had been given the opportunity to understand and trace the evolution of these strategic issues through time and check management assumptions on a continuous basis. For tension-generating topics to be subjected to consistent debate on the board, they need to be present on the agenda. In line with past research (e.g. Bailey and Peck, 2013; Pettigrew and McNulty, 1995) the findings from this study show chairpersons take care to get the right items on the agenda. In addition, it has been shown how chairpersons can further facilitate good-quality engagement by organising board work around clearly defined priorities and having committee policies that encourage participation of all board members.

A third requirement for a chairperson is to lead boardroom meetings (Garratt, 1999; McNulty et al., 2011; Pettigrew and McNulty, 1995), cultivating open and high-quality debate on strategic tension-generating topics. The chairperson has to ensure that all board members contribute to the debate, making maximum use of the variety of skills and experience, and encouraging cognitive conflict while maintain cohesion and meaningful consensus over the firm's strategic direction (e.g. Leblanc, 2004). Encouraging the board to challenge executive thinking and provide alternative views led this discussion to the involvement of boards in strategy. Two distinct findings emerged, which can be traced in existing literature. First, boards use primarily "interactive strategising practices" – that is, face-to-face interaction and debate which results in mutual influence over the development and implementation of strategy (Hendry, Kiel and Nicholson, 2010). This type of strategising activity has been found to be employed particularly when firms require a change in strategic direction (Hendry, Kiel and Nicholson, 2010). The findings in this thesis also agree with past studies that the level of such involvement is affected by: the content of board agenda; the board process and conduct of board meetings; the use of away-days for strategy meetings (McNulty and Pettigrew, 1999); and the chairperson's preferences as to the degree of board involvement on strategy (O'Neal and Thomas, 1995). This theme finished by looking at how CEOs view the actual contribution of the board to strategy under circumstances of poor performance and crisis. Surprisingly, CEO accounts show that the actual influence of the board in shaping strategy is limited (often to marginal or incremental improvements) by the pace of change and the information asymmetry between the board and the management.

The next theme – termed "CEO role: strategic behaviour" – discusses the role of the CEO in strategy development and implementation in contexts of far-reaching change as described in Theme I.

4.7 Theme IV. CEO role: strategic behaviour

CEO role analysis identified four critical aspects when facing competing demands in contexts of uncertainty and change: i) top management team composition, size and dynamics; ii) strategy formulation; iii) redesign of organisational structure; and iv) strategy communication and alignment. These four domains are core demands for the CEO in which the CEO enjoys substantial discretion. While they can be seen as almost sequential, what emerged is that there are complex interrelationships between these domains when strategic tensions are being addressed by the CEO.

4.7.1 Top management team (TMT) composition, size and dynamics

An area of discretion that emerged strongly among CEOs in this study is the determination of the TMT composition, size and dynamics. These are explored in the next sections.

4.7.1.1 TMT composition

Research has linked CEO succession and TMT composition changes with changes in the external environment and/or a decline in firm performance (Pfeffer and Davis-Blake, 1986; Pfeffer and Salancik, 1978).

This study found that incoming CEOs facing technology and regulatory disruptions that fundamentally affect competitive advantage chose to make substantial changes to TMT composition in the direction of increased diversity of skills and experience. This is in line with Keck and Tushman's (1993) findings that reorientations, environmental shocks, technological discontinuities and CEO successions are each associated with increases in team changes and heterogeneity. One CEO of a firm facing technology disruption and poor performance explained his approach:

> *I brought my own team in … so day one I brought in a marketeer, and I didn't even bother to check out the existing marketeer, I had a conversation with her very politely on the first afternoon, then fired her. I did exactly the same with effectively bringing in [executive's name] who came in as my right-hand man to go down to the engine room and report that all the dials were connected to all the right things. I didn't trust anybody else to do that. I decided to leave the two operations people … because I knew both. I left in place the finance director because I knew she could add up and I knew at that time she was a relatively well respected by the community, but I – and also because I thought that's probably the one person you don't want to change at the moment while I want to get control of the numbers. In terms of the three core businesses I promoted all internally, but I brought them up very fast. So I identified talent: three or four of them.* (CEO 11)

The CEO of another company facing very similar problems followed a similar pattern:

> *Yes, about a third, a third, a third. That's my normal in a transformation: a third of the people that I inherit are great, a third I'm having to promote from within, too many layers of management, and a third I hired from outside. That's pretty much par for the course.* (CEO 13)

The degree of complexity and instability in the firm's environment has long been linked with changes in structure (Lawrence and Lorsch, 1967), since greater environmental complexity often poses competing demands (Thompson, 1967), which require a diversity of skills and experience forcing greater structural differentiation (Pfeffer and Salancik, 1978). Past studies have suggested that larger and more heterogeneous TMTs are often found in firms facing environmental complexity (Janis, 1972). Environmental complexity and instability (i.e. the extent of discontinuous change) (Tushman and Romanelli, 1985) often requires a greater division of labour within the top team, increasing differences in interpersonal and time orientations among executives (Lawrence and Lorsch, 1967; Galbraith, 1973), which make consensus on the strategic direction of the firm more difficult to attain (Dess and Origer, 1987:326). In effect, research has found that top team demographic diversity decreases strategic consensus (i.e. the degree to which individual mental models of strategy overlap) (Knight et al., 1999).

In order to maintain a degree of social integration and facilitate consensus, CEOs appear to select trusted individuals with whom they share past experiences in similar situations. Past studies have found that the level of intra-group trust mediates the tension between task conflict and relationship conflict (Simons and Peterson, 2000). This is to say that high levels of trust help avoid task conflicts becoming relationship conflicts, thereby ensuring group cohesion. This is observed in many CEO accounts such as the one above (CEO 13). Some CEOs made trust and past shared experience explicit criteria upon which to base TMT hiring decisions:

> *So you surround yourself with the brightest people that you trust, that you know are going to be loyal and are going to be able to execute.* (CEO 18)

Evidence shows that CEOs also promote executives from within the firm. These members may be more likely to be loyal to a CEO who promotes them, while bringing firm-specific knowledge which may be important in determining existing constraints for change as well as identifying areas of excellence that may not be readily visible to the CEO or other outside members of the team. This also ensures both continuity and change within the top team as the CEO seeks to strategically transform the company. Past research confirms that, when facing turbulent environments such as technological discontinuities, high- to medium-performing firms tend to retain firm-specific knowledge in the top team (i.e. in the form of legitimacy, social networks and links with firm competencies) by promoting a CEO from within the firm and/or making sensible changes to TMT composition (retaining some existing executives), achieving a balance between change and continuity (Virany, Tushman and Romanelli, 1992).

An interesting finding of this thesis is that CEOs whose firms were facing environmental change that did not fundamentally threaten the firm's competitive advantage (i.e. in this thesis, the financial crisis of 2008 and the economic recession that followed) and that were acute (very sudden changes in market conditions), made little or no changes to TMT composition and size.

4.7.1.2 TMT size

In addition to selecting executives who are likely to be loyal and trustworthy, CEOs appear to use TMT size as a mechanism to facilitate social integration and consensus within the team. One CEO explained the importance of deciding on the size of the top team.

> *You have to have a distributive shared sense of responsibility and a common agenda. There's a reason why there are 12 jurors and Jesus Christ had 12 disciples. There is a limit on teams and I always slightly scratch my head when I look at management teams with 17 or ... At its heart I think a leadership team, of an organisation of size, I think a leadership team really begins [to] top out north of 12 in terms of its optimal functionality. So I think team size is a very conscious choice by the leader, and I think it's well worth spending time on it.* (CEO 17)

Social integration and consensus are the key dimensions of a TMT process that is defined as "the nature of interaction among top managers as they engage in strategic decision-making" (Finkelstein, Hambrick and Cannella, 2009:124). Social integration has been defined as “the attraction to the group, satisfaction with other members of the group, and social interaction among the group members” (O’Reilly, Caldwell and Barnett, 1989:22), whereas consensus refers to “the extent of agreement of all parties on a group decision-making” (Dess and Origer, 1987:313). Past research has identified that as TMT size increases it negatively impacts on the frequency of communication and team coordination (Shaw and Harkey, 1976), group cohesiveness and cooperation (Wagner, 1995), social integration (Shaw, 1981; Smith et al., 1994) and consensus (Shull, Delbeq and Cummings, 1970). Many CEOs appear to consider these aspects when making decisions about the TMT. The pressure to respond to strategic tensions arising in complex organisations experiencing substantial external environment instability has been met by smaller TMTs and hence a greater ability to achieve consensus:

> *… you don’t always have the same amount of time: you need smaller teams, you need less consensus building, and they tend to be resolved high up in the organisation.* (CEO 7)

Thus far findings suggest that incoming CEOs of firms facing complex and unstable environments, often driven by technology discontinuities threatening competitive advantage, often change their top teams substantially. In so doing, they make conscious choices about the degree of diversity, the levels of loyalty and trust, the preservation of firm-specific knowledge and continuity and size of the team. The concern appears to be the ability to address the particular strategic challenges facing the firm while retaining cohesion and consensus. Interestingly, CEOs whose firms were facing externally driven financial and economic problems (with sudden market slowdowns) remained at the helm and made little or no reference to changing the top team. This suggests that the nature of a firm’s problem is significant in decisions to either maintain or change the CEO and the top team. Next, this thesis will consider the importance CEOs attach to managing TMT dynamics, role interdependencies and various tactics used to resolve tension and conflict.

4.7.1.3 TMT dynamics

The CEO leads the top management team. He or she sets the stage for the nature of interaction between different executive roles. CEOs employ certain tactics to ensure alignment between different roles in the top team. This thesis identifies: i) the role of the CEO in the TMT process; ii) CEO–CFO role interdependence and relationship; and iii) education of senior leadership and role rotation. These aspects of TMT functioning are discussed next.

4.7.1.3.1 The role of the CEO in the TMT process

This thesis identifies the CEO as having the responsibility for setting the stage for team interactions (Finkelstein, Hambrick and Cannella, 2009). The TMT process has been defined as "the nature of interaction among top managers as they engage in strategic decision-making" (Finkelstein, Hambrick and Cannella, 2009:124). Irrespective of environmental conditions and particular strategic challenges, CEOs referred to the requirement of leading the team in a manner that encourages open discussion and challenge, while simultaneously ensuring meaningful consensus and unity of action. This has been described as a role-based tension faced by CEOs (refer to **Theme I, Section 4.4.2**).

> *… although I could challenge them and we could have some conversations, if they didn't want to do it they'd fight me back and they'd gang up with the other two against me, and I'd lose. So I used to say, even if I had one more vote than you and there's three of you and I've only got two votes, I lose. We used to have a conversation like that sometimes: "OK guys, well, I've listened*

> *to you. I'm not happy, but you've said that. I'll take your word. You're my team." ... And they want to know there's been, if you like, a democratic process, but once the process has been agreed it was, so people used to know that I used to argue with the finance director. Sometimes they could hear us, right, but they say, "OK, but we made a decision and once we'd made a decision, it was cabinet rules, cabinet responsibility, we're all in this, there's no backsliding, we've all agreed to do it."* (CEO 11)

Some CEOs described similar processes for leading TMT interactions. Such a process seems to be based on a consensual and democratic style of decision-making where TMT members are encouraged to contribute and challenge the decision-making process, even in opposition to the CEO. In the above description and in later CEO accounts in this section, CEOs described themselves as "first among equals" (*primus inter pares*), implying an equality of power. Past research has demonstrated that CEOs of a transformational leadership orientation (Bass, 1997) is related to consensus decision-making in TMTs and team effectiveness (Flood et al., 2000). Other studies have found that a CEO's empowering leadership positively impacts on TMT behavioural integration which in turn increases TMT potency and firm performance (Carmeli, Schaubroeck and Tishler, 2011). When CEOs are less dominant, TMT members engage in more information sharing, are more cooperative and collaborative, and tend to value group objectives over individual ones (Eisenhardt and Bourgeois, 1988).

Another aspect emerging strongly among CEOs is the belief that large and complex businesses cannot be managed centrally by the CEO. This is consistent with the findings of Eisenhardt and Bourgeois (1988) that power centralisation destroys collaboration and increases political and competitive activity among TMT members. Rather, participants referred to the need to trust executives, to delegate more and to develop a "distributive shared sense of responsibility" and a common agenda.

CEOs provided evidence of difficulties in assuming complete centrality in large, complex organisations, pointing to the importance of delegation and a common agenda.

> *… it is absolutely impossible in that situation to manage a business of scale and complexity on a single-point basis or on a central-control basis. You have to have a distributive shared sense of responsibility and a common agenda.* (CEO 17)

> *I only believe that in a sizeable business you cannot run the business top-down, and particularly not the business as ours because there is no, what I would call, there's no inherent discipline.* (CEO 4)

The CEO of a large high-tech company explained how he initially adopted a more controlling and centralised approach in managing the executive team, and then gradually started to delegate more, acknowledging the difficulties in scaling the business when the CEO takes such a central controlling role.

> *I adopted a style, after the slight negativity about control I did adjust behaviour a little bit and, not too much because I think control was right at the time. But you can't scale a business having everything coming through the CEO. So we had moved away from, we had actually delegated a lot more from the executive team and the executive team delegated a lot more from the CEO. And so my style was "first among equals", really, and in terms of constructing a team my advice to lots of people these days is: I'd have been very happy to work for half of my executive team, and no point in hiring somebody that you don't respect that much really because you want really strong people around you.* (CEO 6)

It is important to note that all CEOs in this thesis were facing severe declines in performance resulting from technological discontinuities, economic recessions and financial crisis, and far-reaching regulatory changes. Past research has shown CEOs to be risk-averse, thus resorting to centralised decision-making (Hurdle, 1974; Staw, Sandelands and Dutton, 1981). However, other studies have found that, in circumstances of poor performance, CEOs increase their risk-taking and are more willing to delegate (Bowman, 1982). This thesis found evidence for more delegation in line with Bowman's findings.

Many CEOs stressed their role in setting appropriate TMT composition, size and decision-making processes. While CEOs discussed TMTs as a whole, there was much less emphasis on role interdependence and dynamics between particular executive roles. However, there was one exception: the relationship with the chief financial officer (CFO), and his/her interdependence with the CEO role during times of poor performance – irrespective of the environmental conditions leading to the decline – emerged as central and are discussed in the next section.

4.7.1.3.2 CEO–CFO relationship and role interdependence

CEOs in this study repeatedly referred to the CFO role and their relationship with the CFO as an important source of support in handling strategic tensions. Nonetheless, it was also often described by CEOs as a source of constraint. One CEO, whose firm was undergoing restructuring, explained how the CFO he had inherited was too focused on strategic issues at a time when the CEO required a hands-on CFO who could control the numbers. This was a disturbance for the CEO, often causing him to spend time away from his role in order to acquire a more detailed understanding of financial aspects. The CFO eventually left the company. He explained:

> *… as we were going through this I became the CFO, because I just got into the detail of everything, and the CFO was much more strategic which was rather unhelpful in a period where you're going … So the CFO that I inherited was somebody who is actually quite a big guy but was more in the strategic: he'd always had a lot of people providing the low-level stuff. And*

> *so from day one I'd look at what he was doing and start challenging him about his role and the detail you need to get into.* (CEO 1)

Another example came from the CEO of a retail company undergoing a large transformation. The CEO was alerted to the fact that the CFO was undermining the CEO's messages about strategic direction. Moreover, the CEO was unhappy with the CFO's performance when presenting to shareholders.

> *… but I was alerted to, and as it happened eight weeks later, nine weeks later, when we were doing some of the final presentations to the shareholders, I realised she wasn't up to scratch and I fired her. It was quite a tough call, but I did it. Actually, it was mismatch between what I was trying to do strategically and she was undermining it behind my back saying, "Well, [the CEO] wants to do this, but actually don't bother: he doesn't really mean it."* (CEO 11)

Inadequate CFO skills and focus, or lack of trust, make the relationship a constraining factor for the CEO in attempting to successfully enact his or her role. However, if trust and complementarity of perspectives and experience are present, the relationship with the CFO serves as an important means of support for the CEO and also an important element of how CEOs respond to strategic tensions, particularly when undergoing restructuring and growth.

Literature acknowledges that during times of poor performance, or when critical financial policy issues are being considered, the CFO role is likely to become more relevant and powerful (Reutzel and Cannella, 2004). In fact, to the extent that the TMT is highly differentiated vis-à-vis the roles of its members, such an effect is thought to be true for other roles, depending on the context and the strategic issue at hand (Cannella and Holcomb, 2005; Roberto, 2003). Some research suggests that CEOs are delegating more strategic responsibility to CFOs (Tulimieri and Banai, 2010) and that CFOs provide important advice to CEOs on the financial feasibility and risks involved in particular strategic moves (Scheumann, 1999).

> *So FD was my decision and we had a shortlist of two: both very, very good but both very operational. [I wanted] somebody who absolutely could grasp the numbers. I wanted someone who was very, very strong operationally. I mean [the chosen CFO] actually is good on treasury as well, but it was the operational stuff. It's not about strategy. The CFO also had some operational experience running part of the business in his previous role, so that felt to be like somebody who would really get into the detail of everything. I wanted a classic CFO who I could absolutely 100% rely on to drive the numbers of the business because I had to move away from just doing that.* (CEO 1)

When firms are faring badly, the CFO influence is likely to be enhanced, but so far the strategic relationship between the CEO and CFO has barely begun to be examined, rather focusing on the role of CFO more generally. One exception (Han, Zhang and Han, 2015) has found that, where a strategic partnership between the CEO and CFO exists (i.e. where the CFO is allowed influence over matters of strategy), Chinese listed firms had superior financial performance.

In this study the relationship between the CEO and the CFO as a source of support for the CEO and a mechanism to manage difficult business tensions emerged as key. Most accounts from CEOs in this study highlight the CFO's importance over and above other TMT members. The relationship was referred to as a "partnership", with the CFO taking responsibility for financial aspects and the CEO strategic aspects, but with high levels of communication, debate and challenge between the two.

One CEO described his relationship with the CFO as one of heated debate and mutual influence on strategic decisions, while making sure the relationship did not suffer.

… a very strong CFO who will challenge the status quo. I'm used to that, and I was happy with it. I had very difficult, not difficult, but I had a very robust relationship with the CFO at [company's name]: we used to fight like cat and dog, and that's right and proper. I used to say, "[CFO name], we need to do this, we need to push that, we need to do this", and he'd say, "We can't do that, I'm not sure that's been the case." And then it all comes down to people. This is an easy conversation or a difficult conversation, there is no right answer, there is no perfect model, nobody's got it right and it's all about that yin and that yang… (CEO 11)

Another CEO referred to his CFO as a partner and described how their relationship was marked by mutual learning in handling company restructuring:

I had a new partner-in-crime in that, about six months before the profit warning, I'd hired a CFO. And he was, he wasn't an experienced public company CFO, like me, so we were absolutely in the same position learning together. But just as I'd had a decade or so of operational general management, he'd had a decade or so of being financial controller. He'd done a private equity CFO job and, so we learnt together really. (CEO 6)

Extracts from CFO interviews gave additional credence to the CEO perspective on the criticality of this partnership. One CFO explained the open and challenging dialogue he had with the CEO and described the importance that, after a heated debate, an integration of views would occur which allows for a robust agreement.

The CEO doesn't try and second-guess what I'm doing. Yeah, so we've had our moments, but not in a tense way, I'm sure the CEO would agree with that. I have no problem telling the CEO what I think he's doing wrong, so that's not a problem to me. I've never had a fear factor about losing my job. I think one of the reasons why people don't interact well, or they don't operate effectively, is because they don't say what they want to say. So you've got to say what you think. And I think right from when I came in I've always been very clear with the CEO about: look, maybe we need to approach it in this *way; maybe we need to do something slightly differently. I think we've a very good relationship, I think we get on well, and I'm quite frank with him. I'm sure there's times that he'll tell me something and I think, well, that's just, that's not right, and you've got to look at X or Y. I'll say something to him and he'll say, "Look, piss off, I've decided X and Y and you can do something else", but you've got to have that dialogue. I think a lot of, look, it's stating the obvious: it's just, it doesn't matter what you're doing, if you're all trying to do something and you're pulling in different directions.* (CFO 1)

The CFO of a large building company explained how the CEO gave him a lot of autonomy and latitude to handle financial restructuring, while the CEO focused completely on ensuring the strategy was being implemented.

… the CFO can be very centre-stage, because I think the reality is: you've got problems with your banks, probably, you've got challenges trying to make numbers for the city and the board want to hear from the CFO. The CEO is ensuring the strategy is being implemented operationally. He doesn't chase around after me saying, "What about this?" and "What about that?" I think he gives me a lot of autonomy, a lot of latitude, which is important. (CFO 1)

Later in the interview, CFO 1 recognised that the focus of the role and its boundaries changed with time as the financial restructuring ended, stressing the importance of splitting competing demands between the roles of CEO and CFO and reconfiguring role boundaries as circumstances change. The dialogue between the two roles was also emphasised as being critical in ensuring that restructuring and strategy are aligned and do not conflict.

… my job now [after restructuring] is very different. It's a much more stable type of job, so what I want to do is obviously to get more involved in the business operationally because I haven't got all this firefighting to do over here. So my role has to evolve, and I think the CEO steps back from stuff and

says, "OK, well, you deal with that and I'll deal with this" and so on. I think it's been good. But you've got to have that dialogue. (CFO 1)

Another CFO provided an interesting account of how he worked through restructuring and growth with his CEO. The CFO and CEO roles were clearly negotiated. The responsibility for the financial restructuring was led by the CFO and the long-term strategy was developed by the CEO. In a first account, the division of responsibilities between the two roles was attributed to the CEO's lack of skills in handling bankers and unsecured creditors during restructuring.

I would say that, in terms of company survival, getting the company, to getting support from our bankers or creditors, our regulators, that was me, OK, and I was, we quite clearly allocated responsibilities for the CEO to develop strategy. I was doing all of that swashbuckling stuff and exciting stuff. I agreed with the CEO she needed to do the longer-term transformation. I probably dealt with the CEO most, so it was probably the CEO working more with me than working with the, a broader team, I would say. The CEO didn't have the skill sets to deal with the bankers or whoever. These aren't normal bankers you deal with: banking's an old industry. They lend money and, if you don't pay them back, they're not very nice people they send round. It's always been the case, and they do have burly people who come round and say, "We're in an ugly place and you don't want to be in that cold ugly place under the stairs do you?" That's the way they talk. (CFO 2)

Later in the interview the CFO explained how it is difficult for restructuring and growth to be the responsibility of the same individual, which offers an additional explanation as to why the competing demands were split between the two roles. It became clear that it is not simply a question of skills, but more about the difficulty for one individual to deal with contrasting demands requiring different types of thinking and behaviour.

> *I said to the CEO right at the beginning that she shouldn't get involved in this and she said, "Should I be doing it?" I said, "If we're not doing that we'll get no future", so I deal with it and she got sucked into it. Your head goes, you mean you're, you start thinking of that bank nearly pulled me today or whatever, and you're not thinking about the long term. You can't see it: how can you maintain a view and a vision when you've just been in, rolling in the muck with some unsecure creditor or supplier. It's not easy. I've been doing this for years, so it's probably easier for me to do that, but it's not easy, believe me. You come out ashen-faced from battling, and then you have to go and think about strategy. And then she'd be feeding me strategy and I'd be telling her where we are.* (CFO 2)

The integration of short-term financial and operational restructuring and long-term growth strategy occurs through frequent and robust communication between the CEO and the CFO, so that continuous alignment between short- and long-term action is attained. While research in this area is scarce, there have been calls from commentators for an effective partnership between CEOs and CFOs, with some even calling for a shared-leadership model between the two (Howell, 2006; Tulimieri and Banai, 2010). This section has provided evidence that this dyadic relationship is indeed an important source of support for the CEO during periods of poor performance and changing external environments, which bring about strategic tensions between restructuring and the short term and growth and the long term. These tensions are absorbed by the management team, with different roles often conflicting in their priorities and perspectives. The next section looks at evidence for the role of the CEO as one of ensuring "cognitive recognition" and integration of tensions when there are clashes between different executive roles.

4.7.1.3.3 Education of senior leadership and role rotation

Strategic choice theorists have called for organisations to seek high levels of differentiation and integration in order to adapt and prosper in new environments (Galbraith, 1973; Lawrence and Lorsch, 1967). By differentiation these scholars mean role differentiation, defined as "the cognitive and emotional orientation of managers in different functional departments" (Lawrence and Lorsch, 1967:11). In turn, integration was defined as "the quality of the state of collaboration that exists among departments that are required to achieve unity of effort by the demands of the environment" (Lawrence and Lorsch, 1973:11). In this thesis, it was found that, when strategic tensions become salient due to poor performance and resource scarcity, divisions and conflict within the TMT are likely to arise, with different executives at opposing poles likely to argue against each other's positions, and competing for scarce firm resources and CEO attention. The following excerpt illustrates a situation where a CEO had to handle tensions between the CFO and the chief technology officer (CTO) (and respective business units) during a period of restructuring.

> *… I think by that time we had, we were a team [executive team] and we were a team with constructive tension, so there were those around the table that were very keen on "but you mustn't cut this because it's the long term", so we had the people protecting the long term. And there was a very little bit of friction around the CTO maintaining that we really: bugger the shareholders, they don't matter; the long term is all that matters; world domination, etc. And the CFO who had to come on the road with me and he, there was a little bit of tension there probably. I think it was manageable constructive tension throughout, but at a time of crisis like this it gets to be a little bit personalised for the first time, so it's: "he's only in it for the short term". Well, no, he isn't actually, he's, but if we don't have a short term there won't be a long term.* (CEO 6)

In contexts such as the one just described, the danger is that conflict becomes destructive of the integration needed between units with disparate time and cognitive orientations. The competing demands of restructuring and growth arising from environmental change emphasise the perceived difference and incompatibility between different roles in the TMT. In the case above, the CFO perceived short-term demands of liquidity as more important, whereas the CTO perceived – by virtue of role – long-term demands related with R&D and innovation as crucial. According to early theorists, in order for firms to arrive at high levels of differentiation and integration, the solution lies in "integrator roles and devices" located at the appropriate level where the necessary knowledge about the environment is available (Lawrence and Lorsch, 1967:157-158). In line with this, Galbraith (1973) proposed that the integrator role should coordinate the decision process and that such a role should have "a wide network of contacts in the organisation, be able to establish trust and equalise power differences in the joint decision process" (Galbraith, 1973:93). In addition, integrators should "make use of confrontation, smoothing-over differences and forcing decision tactics to solve conflict and achieve integration" (Lawrence and Lorsch, 1967:53). In the above account, the CEO emphasised his role in ensuring that tensions between these key roles remained constructive, promoting an integration of views that accommodated competing demands. Not only do changes in the environment drive larger differences between different roles, emphasising different aspects of competing demands, but also emotions run higher and discussions become "personalised for the first time" as role incumbents perceive the decisions as more critical. The CEO went on to explain how he educates senior leadership in understanding competing demands between different business units by temporarily swapping executives' roles in order to create a form of "cognitive recognition" of the tensions among the executive team.

We changed a few responsibilities around as well, amongst the exec team throughout the period. I deliberately cycled some people around into roles that certainly some of the staff thought, "This is a bit odd." But I wanted an exec team where there were lots of interchangeability and lots of ... particularly around the exec table. Basically in a [company name]-type company typically you've got engineers designing things: it's all wonderful; salespeople not selling things – "Oh, that's because the engineers have designed something that's crap", well, no, that's because the salespeople are crap and they can't sell. So one of the obvious things early on was to get the guy who had headed up engineering to run sales and the sales team, and all the managers in sales thought I was absolutely nuts. He's now the CEO. So I think that training people and having people working in slightly different positions ... so he knows a bit about what the product marketing people are doing and the engineering people are doing and all that sort of thing, and but now he's responsible for pulling stuff together. (CEO 6)

While conflict within the TMT is seen as essential for effective strategic choice (Eisenhardt, Kahwajy and Bourgeois, 1997), there is also a tension for CEOs who are required to "both stimulate and repress conflict" (Eisenhardt, Kahwajy and Bourgeois, 1997:45) when it becomes dangerous to the integrity of the TMT or to strategic alignment. Building heterogeneous teams, encouraging frequent and quality interaction and ensuring different lenses are brought to bear in the team have emerged from the findings in this study, in line with Eisenhardt, Kahwajy and Bourgeois (1997). The above account also revealed that encouraging executives to temporarily assume the leadership of each other's divisions makes for greater integrative capability in the team, as each executive can think from the perspective of multiple roles. Having executives assuming distinct, caricature roles in top team debates (i.e. Mr Action, Mr Steady, Futurist, Counsellor, etc.), which represent opposite poles (i.e. short and long term, status quo and change, structure and flexibility) is a phenomenon found in high-conflict/ high-performance top teams

(Eisenhardt, Kahwajy and Bourgeois, 1997). Although the two practices are different, they both aim to expose strategic tensions and make executives recognise and integrate different perspectives. The CEO role is depicted as a "symphony conductor" who exerts on the team as a "levelling influence" (Eisenhardt, Kahwajy and Bourgeois, 1997).

Another CEO talked about his experience of contrasting and apparently irreconcilable views between the leadership of the commercial and R&D divisions and how he developed team-building initiatives and got different business units leadership to work together and overcome what initially sounded like an insurmountable tension.

> *... Within three months of getting there I had the top team on a beach in Denmark building rafts and going out, paddling rafts and all that stupid stuff. But actually out of that we came up with, on the second day, a whole set of targets for the next five years, every single one of which, except one, we achieved in that period ... The only solution to this tension is that we go together to the board in December – this was September – and make a commitment that we will meet these targets and say to the board we want their endorsement of us increasing dramatically the R&D resources ... So that we can deliver the products, in the meantime, you sales guys: you've got to manage the customers with what we can deliver rather than what they would like to have. And, without getting people away and getting them to common understanding of the problem, we would never have got that.* (CEO 5)

CEOs play a fundamental role in building "cognitive recognition" among the executive team members who lead different business units. Their role is to teach how strategic tensions of restructuring and growth, exploration and exploitation can be successfully handled. In so doing, a CEO assumes the role of "maestro", harmonising the different roles and cognitive and emotional orientations that become salient in times of high uncertainty and complexity.

4.7.2 Strategy formulation

All CEOs in this study highlighted strategy formulation and implementation as a core role demand. CEOs are extremely protective of their role as “strategists”, i.e. those who own the strategy formulation and development process.

> *Well, one of the things I made sure I was in charge of was strategy. So I’d done a lot of the strategic work.* (CEO 9)

Numerous CEOs explained how their role changed from restructuring to establishing a longer-term growth strategy.

> *I think the key thing for me as a CEO now is to define what the business does over the next five years. That’s my biggest challenge and we’ve been at that for a year and we’re just about to launch it, so we’ve got out new strategy with all the pieces are going.* (CEO 1)

> *My role in the other two was strategy as well as implementation as it was here … the first phase was 18 months, the second phase was 18 months and the final phase was going to be about four or five years.* (CEO 2)

Others emphasised their role in establishing the firm’s strategic position and executing the necessary actions to accomplish it.

> *And we wanted to be the hunter rather than the prey. And then embarked on executing the strategy …* (CEO 12)

Strategy formulation and implementation has long been recognised as the CEO’s central role. For example, Mintzberg (1979) found that the CEO and the executive team have a global mandate to ensure the firm serves its mission and is aligned with external resource providers who control or have power over the firm. Strategy formulation involves “the interpretation of the environment and the development of consistent patterns in streams of organisational decisions” (Mintzberg, 1979:25) as they emerge. Contrary to these views, Porter (1980) proposed strategy as a design exercise after careful rational analysis of the external environment facing the firm. Barney (1991) proposed an inside-out view where analysis would focus on those of the firm’s resources that could yield competitive advantage. Others proposed that strategy is highly idiosyncratic and depends on the characteristics (e.g. age, education, experience) of CEOs, which guide interpretation and choice (Finkelstein, Hambrick and Cannella, 2009).

In this study, CEOs’ narratives of strategy formation are in line with both Porter (1980) and Barney (1991), whereby CEOs iterate between the analysis of the external environment and the firm’s resources to determine the best fit. An alternative explanation arises from a consideration of the sample characteristics which points to the possibility of executive characteristics driving patterns of strategic behaviour. All CEOs were in the same age cohort (50 to 60 years old) and were British nationals with vast experience in strategy at large listed UK companies. Most of them learned strategy in the ’80s or ’90s, a time in which both Porter’s and Barney’s ideas were widely accepted in strategy practice. This may serve to explain why, in this study, CEOs’ strategy formation behaviour is closer to Porter’s and Barney’s ideas and why a behavioural pattern can be discerned.

With this in mind, the next sections explore evidence that shows that CEOs focus strategy formulation around three fundamental aspects: i) articulating a business purpose; ii) determining competitive advantage and unique capabilities; and iii) determining the pace and scale of change. The extent to which these activities are pursued vary essentially as a function of the perceptions of the external environment.

4.7.2.1 Articulating a business purpose

Literature is unclear in distinguishing between purpose, mission and vision, often using the terms synonymously. Most argue that mission is the *raison d'être* of the company, "an enduring statement of purpose that distinguishes one organisation from other similar organisations" (David, 1989:90). Others (Collins and Porras, 1991) refer to vision composed of a guiding philosophy (purpose, core beliefs and values) and a tangible image (mission statement and vivid description). Whereas purpose is seen as part of the guiding philosophy coming from within people (without reference to the environment), mission is affected by external environmental considerations. For Bartlett and Ghoshal (1994:80), the best firms "place less emphasis in a clear strategic plan than on building a rich, engaging corporate purpose", thus making the articulation of the business's purpose distinct from strategic formulation, and preceding it.

Articulating a clear business purpose (often also called mission or vision) has been referred as an important primary choice for CEOs. Ireland and Hitt (1999), for example, found that the vast majority of CEOs consider the setting of the firm's vision, values and strategy as their primary responsibility. CEOs have also been depicted as fulfilling a role of "sense-giving": that is, interpreting the external environment and internal conditions and providing meaning on behalf of the whole organisation (Gioia and Chittipeddi, 1991). In this study, this is particularly true of CEOs who faced technology or regulatory disruptions that fundamentally changed the purpose and competitive advantage within which the firm operated. CEOs who underwent the 2008 financial crisis and economic recession did not voice the articulation of a business purpose as a key component of the strategy formation process.

One CEO of a large telecom company reveals the importance of articulating a distinct purpose as a tool for delegation and empowerment of management at all levels in addressing operational problems and dilemmas.

> *The word people use is "vision", and I hate it. And they use the word "journey", and I hate it. But it's about getting – what the CEO has to do is articulate this thing about why are we here, what are we here for and what is it that we and only we can do? And if you can articulate that, then you have a good chance of getting not only the consensus and the data in the organisation, you've also got a good chance of people saying two or three levels down the organisation. I sometimes have direct evidence of this: that we've got a problem to solve. And they would go back to this "why are we here?" thing, and if we understand and accept this is why we are here, what we are here to do, we can solve this problem ourselves without having to go upstairs for permission, so it also becomes a very enabling and very empowering. And that's the point: that you can almost let go and say actually this organisation's running on its own horsepower, because everyone's bought into the same framework, and that means the dilemmas often get solved by somebody else without you having to stay awake at night trying to figure it out ... If you've done the bit as the leader or the CEO correctly and saying why are we here, then I think some of those things get solved.* (CEO 5)

A distinct purpose also facilitates consensus over difficult-to-solve problems. In the CEO account above it is unclear, however, whether this distinct purpose (i.e. what we and only we can do) refers to the concept of competitive advantage as a differentiated market position as defined by Porter (1980, 1991) or whether it refers to the firm's unique resources and capabilities as proposed by the resource-based view of the firm (e.g. Barney, 1991; Grant, 1991). Whatever the case, the business purpose, or mission, appears to be the first step in the strategy formulation process for CEOs who perceive the firm's purpose and competitive advantage to have been disrupted.

Another CEO described his discussions on the board about the company's purpose and identity, which was fundamental in subsequently driving decisions in terms of competing demands between different business units, and within units, between shop-based and online retailing. In this statement we observe how initial conditions (e.g. Porter, 1991) matter in defining the corporate purpose (i.e. we are a tour operator as long as we have planes to fill) as well as how the combination of existing resources and capabilities (shop-based, high-touch) with new ones (digital-based, high-tech) (Grant, 1991) create a distinctive statement of purpose (i.e. we are high-tech *and* high-touch).

> *… another dilemma was, in this discussion: are we a tour operator or are we a retailer? And I then closed this discussion and said, "Look, guys, as long as we have planes to fill we are a tour operator and not a retailer. A retailer is somebody who has no risk, and ..." And I said, "A tour operator per se by definition cannot run an airline. I have never seen a tour operator running an airline with any, the most efficient way. We are a tour operator and we are high-tech and high-touch."* (CEO 8)

A CEO of a large insurance and financial company established the company purpose as one of being an inclusive business (i.e. previously it was exclusive). He explained how determining a distinct purpose helps in everyday decision-making by reference to that purpose, enabling the organisation to shift direction quickly as required by circumstances.

> *And you need to have this ability to react quite quickly to it. Because, if you end up taking so long to shift direction, things have already moved again and again and again. And I guarantee, if you thought you were moving over here, you should've been moving over there with it. So, again, people think businesses should all be about making big decisions. I actually think it's all about making small decisions. It's small, little things that end up keep nudging you forward within that purpose of being an inclusive business.* (CEO 9)

Another example was provided by a CEO who was unable to articulate and agree before the board a distinct purpose for the firm. Without it, he faced great difficulties in trading off between competing operational demands and providing acceptable justifications for his decisions to different stakeholders.

> *So we never really have the conversation, the bigger grown-up conversation, which is what the company role in this industry was. Is it right that we should be doing this? Because these are, these are difficult trade-offs. And they are multi-stakeholder.* (CEO 2)

In this study, a clear distinctive purpose was found to facilitate leadership at all levels, helping to contextualise decisions about contrasting demands and tensions. In other words, it allows some form of consistency of decision-making throughout the firm. Determining a clear, distinct purpose has been argued to effectively help CEOs to ensure that "short-term actions are made by reference to long-term goals" (David, 1989:95), "unify an organisation's efforts" (Collin and Porras, 1991:38), improve the quality of strategy formulation and the odds of successful implementation (Bartlett and Ghoshal, 1994:82), and "focus its learning efforts in order to increase competitive advantage" (Ireland and Hitt, 1999:48).

4.7.2.2 Determining competitive advantage and unique capabilities

Another key aspect of strategy formulation observed across interviews is the choice of how to compete, given the organisation's unique capabilities and an understanding of market forces and likely evolution. This requires CEOs to articulate a strategic rationale and to determine what the organisation does best – what it does that is unique and where the competitive advantage lies. A requirement to determine the company's competitive advantage emerged irrespective of the nature of external environmental changes. Firms that faced sudden and significant drops in demand and/or mounting debt as a result of economic recession and the 2008 financial crisis were compelled to ascertain which of the firm's capabilities were associated with competitive advantage. This enabled CEOs to ensure that restructuring did no damage to those capabilities that were still valid. Firms that faced technology and regulatory disruption had to identify both current and future capabilities that could give the firm a renewed competitive advantage.

One CEO identified an existing distribution network capability to serve large numbers of customers as the distinct organisational capability providing competitive advantage. This insight enabled a diversification strategy based on acquisition of a telecom business.

> *… the most important thing is to understand what you do best and we, what we did best was looking after large volumes of customers, so every customer contact point is an opportunity to provide them with excellent customer service to win their loyalty … And if you give them excellent customer service then you can get a greater share of their wallet because they'll buy other products. And when we were thinking longer-term, what, how, what shall we do with the business? How can we actually increase our share of the wallet even more? Well, we could add more products that we don't currently provide. So I got into telecoms … so we opened up a telecoms business and I bought a telecoms business and it worked exceptionally well.* (CEO 18)

The CEO of a large high-tech company identified its competitive advantage as the ability to design and produce energy-efficient technology strategically aimed at different market segments (e.g. servers) where rivals were not able to compete. The account below describes strategy as a position in the market vis-à-vis competitors (Porter, 1980, 1991), deriving from the firm's superior technological capability – as proposed by the resource-based view (Barney, 1991; Grant, 1991).

> *... we're going to open up another flank here on [competitor name] because actually there's no reason why we can't just win. Rather than beat [the competitor] in mobile, we are going to win across the piece and we're going into servers, because servers are being sort of phones, PCs, but in the so-called ... world they can have a bunch of joint-based servers. Actually, we did a little bit of experiment and we reckon, just in the first experiments we did in, we could probably save getting on for three-quarters of the power. By 2010 we'd convinced [two key clients] to try some of this, and clients' early experiments were suggesting they could probably save up to 90% of that power.* (CEO 6)

Another CEO extended the company's distinct advantage of creating unique shows and series, from TV to YouTube, highlighting that the decision to enter new businesses needs to be closely related to what the company does best – i.e. its superior capability in creating innovative TV shows (competitive advantage). Again, the approach appears close to the resource-based view of strategy, in which existing, distinct capabilities are applied to a new market in which those capabilities yield distinctive advantage and additional rent.

> *... we have entered into this video, this online video area, where we now produce shows for YouTube. And that's a very different area from where we used to be, so we've set up new entities under a new banner to start business in that field. So it has to be adjacent to what we do, because otherwise there is no reason for us to do it.* (CEO 4)

The above examples all came from firms that were facing restructuring due to economic recession or financial strains, but where competitive advantage remained unaffected – i.e. external conditions did not eradicate their competitive advantage. As such, CEO focus was essentially in understanding the internal bundle of resources and capabilities that comprised existing competitive advantage, and ensure its protection, preservation and replication.

In other cases, CEOs perceived their existing competitive advantage to have become obsolete. In such cases, strategy was articulated as seeking to reposition the company in the market, closer to Porter's (1980, 1991) recommendations. CEOs would then modify the exiting resource base, acquire new resources and develop new capabilities.

The CEO of a large insurance and financial services company decided that, in order to remain competitive and survive, he needed to change the business from an exclusive to an inclusive one, serving customer segments otherwise disregarded by the company as unimportant. Competitive advantage was seen as the company's ability to provide saving solutions to a wide range of customer segments as opposed to the premium customer segments previously targeted. This understanding led to fundamental changes in the company's structure, culture and processes.

> *... a lot of how we think is moving from: we used to value customers who would give us £100,000. I want to value a customer who's going to give us a penny a month, and turn it completely round to the opposite view. So, a lot of the dynamics that are going on at the moment, we are very much, sort of, reorientating ourselves from being what could be viewed as an exclusive business to a more inclusive business, OK? Because, longer-term, we strongly believe in this shift in terms of individual responsibility. Governments will do less, corporates will do more, and individuals will do more. So you're actually seeing a big shift. Now, each country is going at different pace.* (CEO 9)

Another example is provided by the CEO of a large telecom company that underwent a major investment in new technology providing greater data capacity and connection speed, while undergoing a major restructuring program.

> *I believed it was, I believed it was the right thing. I saw that the world was becoming about data, everything was going to be about data, and that turned out to be the right decision. But all our competitors said, "Ah, no one's going to buy it, no one's interested, who would do that? etc."* (CEO 3)

Determining the organisation's competitive advantage is fundamental in deciding which assets, structures and markets are important (i.e. where to allocate resources) and which elements are not supporting the organisation's competitive advantage and therefore should be divested or transformed. The fundamental choice for the CEO is to realise and articulate clearly what the competitive advantage of the organisation is and, having done so, take consistent decisions in terms of resource allocation. Irrespective of whether the competitive advantage remains valid or is rendered obsolete by changes in the external environment, CEOs must identify what that competitive advantage is in order to protect, nurture or build it as the case may be.

4.7.2.3 Determining the pace and scale of change

The need to determine the pace and scale of change was highlighted and emerged as one of the core demands for participant CEOs. Accounts show that determining the pace of change is a core responsibility of the CEO, with even as much weight attached to this capability as that of knowing *what* to change. In general, all accounts indicated the necessity of making changes quickly, yet some participants intimated that being too fast or too slow may be detrimental to the change process.

The CEO of a building company undergoing restructuring due to the economic recession in 2008–2010 described the obligation to scale the business at an incredible pace to ensure survival while simultaneously ensuring continuity in the way the business operated. The essence was about enacting change fast while retaining a sense of direction.

> *... we were changing it, as I say, flying – changing the wings while we were flying was how it felt at times. But that is effectively what we had to do. We had no choice because if we didn't change the bloody wings we knew we'd fall out of the sky.* (CEO 1)

The CEO of a pharmaceutical company also facing economic recession around the same time stressed the need to determine the "right pace of change", being a consideration almost as important as determining what to change. Being too slow or too fast was considered detrimental to the successful adaptation of the business to a new set of circumstances.

> *I think being able to differentiate – it's quite important in periods of significant change, I think, to be able to differentiate not just the change but the velocity of the change. So it's very easy to be too slow; it's equally dangerous to be too fast – and trying to understand that is quite important. Being able to try and manage your responses on a time basis or a speed basis I think is almost as important as diagnosing what you want to do.* (CEO 7)

Another example was provided by the CEO of a large company undergoing a transformation from a shop-based to a digital business model. Again the CEO stressed the importance of managing the transition fast, ensuring the company was ahead of competitors moving in the same direction.

> *And critical for the transformation is that we get it right with the technology and that we get it right with the pace, and that we are fast enough to transform ourselves. And, but the pace of the development in the technology that we can really make it up and make it faster – that we are not just running behind the others but then somehow giving the pace as well.* (CEO 8)

Determining the pace and scale of change emerged as a critical demand for the CEO. For example, it is up to the CEO to determine how fast to move from restructuring to growth, and the extent of restructuring is critical to success in managing strategic tensions. According to Mintzberg, as part of the strategy formulation process, the CEO and his/her team is “trying to maintain a pace of change that is responsive to the environment without being disruptive to the organisation” (Mintzberg, 1979:26).

4.7.3 Organisational structure redesign

Having determined the purpose, competitive advantage and the pace and scale of change – that is, after formulating strategy – CEOs turn to the redesign of organisational structure. That is to say that structure follows strategy (e.g. Chandler, 1962). CEOs and their top teams have significant control over how they perceive the environment, how they formulate strategy and how they determine organisational design and structure (Child, 1972). According to Miles et al. (1978:7), they “conceptually associate strategy with intent and structure with action”. In contrast, Porter (1991:102) argues that “a firm’s strategy defines its configuration of activities and how they interrelate”, but proceeds from an examination of the external environment, particularly industry structure (Porter, 1980). In this sense, strategy follows structure. Other more recent studies affirmed the primacy of structure over strategy, by showing that boards can take action that leads to changes in CEO and strategy (Westphal and Fredrickson, 2001). Moreover, it is still a matter of contention whether strategy determines top team structure and composition or whether strategy is a creation of the top management team (Finkelstein, Hambrick and Cannella, 2009). In **Section 4.7.1.1** in this thesis it has been shown how CEOs facing technology and regulatory disruption select their top team based on a broad understanding of the challenges facing the company, rather than obeying a clearly defined corporate strategy. Moreover, strategy development was often observed to be a result of top team – and to some extent board – discussions (see **Theme III, Section 4.6.3** and **Theme IV,**

Section 4.7.2). Notwithstanding the ongoing debate, in this thesis the pattern that emerged is one of structure following strategy. One CEO put it very clearly:

> *... life is one part strategy and nine parts execution.* (CEO 3)

The above sentence from a highly experienced CEO makes the case for strategy formulation followed by structure change and redesign. It also suggests that CEOs have relatively less choice in formulating strategy compared to the many ways strategy can be implemented (i.e. the possibilities for structural configurations in fulfilling the strategy).

Indeed, CEO interviews revealed an important strategic tension manifested in implementing strategy – that is, in making structural changes to serve a new strategy. All CEOs undergoing significant, far-reaching change voiced a need to both restructure and grow, although enacting it in different ways. When competitive advantage was perceived as unaffected (i.e. typically in cases of economic recession or financial crisis), CEOs prioritised restructuring over growth. In turn, when competitive advantage is perceived as being eroded (i.e. typically in cases of technology or regulatory change), CEOs attend to restructuring and growth simultaneously.

The next sections explore these distinct patterns in organisational redesign.

4.7.3.1 Sequential restructuring and growth

Restructuring and growth have emerged as recurrent competing demands for CEOs. CEOs in this study were experiencing severe declines in company performance due to external environmental changes (recession, financial crisis, technology and regulatory changes) which exposed firm's internal weaknesses and required CEOs to initiate a turnaround effort. Turnaround often refers to the "dynamic processes that aim for the recovery of an organisation's performance after a period of life-threatening decline"

(Boyne and Meier, 2009; Pearce and Robbins, 1993). Turnaround literature identifies two typical and distinct types of activity. Retrenchment activities are those that seek to improve firm operational efficiency, profitability and strengthen the firm's (current) industry position by disposing of non-strategic and non-performing assets and employing cost-cutting measures across the firm (Robbins and Pearce, 1992). Recovery activities are those more fundamental structural changes that transform and reposition the firm for sustained growth and profitability (Barker and Duhaime, 1997). Given that retrenchment and recovery activities may conflict, it is a matter of contention in the literature whether they should be done sequentially (Bruton, Ahlstrom and Wan, 2003; Lohrke, Ahlstrom and Bruton, 2012; Filatotchev and Toms, 2006) or simultaneously (Arogyaswamy, Barker and Yasai-Ardekani, 1995; Pajunen, 2005; Schmitt and Raisch, 2013). The difficulty in reconciling restructuring and growth (or, in turnaround terminology, retrenchment and recovery) has emerged from the CEO interviews. Restructuring reduces capacity, risk and resources in order to better exploit existing assets, whereas growth implies increasing capacity, taking more risk, committing more resources and exploring new markets and/or products.

CEOs that reported drastic, yet temporary, reductions in demand for existing products as a result of a recessive economic cycle (and sometimes coupled with high financial leverage) often choose to focus first on a restructuring strategy; and only when restructuring was completed, or nearly completed, and the market had reverted to an upward trajectory, did CEOs return to a growth strategy. This is in line with stage models of corporate turnaround, where retrenchment and recovery are done sequentially. This study finds that sequential restructuring and growth is pursued when the reason for the decline is not perceived as a disruption to the firm's competitive advantage.

CEOs emphasised that each phase requires different people, different thinking and different behaviour; whereas in the restructuring phase a “financial mind-set” prevails, in the growth phase a “strategic mind-set” is prominent. One CEO explained how during the first years of his tenure he focused completely on restructuring while attempting to preserve core capabilities for future growth. When restructuring was completed, he devoted his time entirely to a long-term growth strategy. This CEO recognised that restructuring and growth require different skills, different people and a different mind-set. As discussed in the strategy formulation section, irrespective of the nature of environmental conditions, CEOs need to understand the core capabilities that contribute to the firm’s current or future competitive advantage.

> *So we cut as deeply as we thought we could, but of course we also knew that there would be a demand for houses at some stage in the future. So you were trying to get as far down as you could but retain the capability to grow again. We now need the thinkers to think about where we’re going to take the business longer-term ... now we need to really think about the future of the business and where we take it: how do we manage over the next five years? And that is quite a shift for us. It’s, there’s none of the numerical stuff in there. It’s talking about the way we build houses, it’s talking about how we develop our people and how do we change the landowner relationships and customer at the heart of everything we do? That’s the key thing. So there is a whole series of things there that don’t look anything like what we’ve been doing for the last five years, but actually they are about our future and my role is to, if you like, put that in place. So there is a clear road path that we can now get on and deliver against ... and then effectively where do I need to put my time? It’s into the future of where the business goes rather than dealing with the draining of the swamp, which to a large extent is now behind us.* (CEO 1)

A similar experience was discussed by a CEO who focused his first three years entirely on restructuring, which he recognised as requiring a distinct “vision and decision-making". Yet, because restructuring means discipline, control and risk reduction, the CEO perceived the company to be losing the competitive battle by shedding talented employees (read: current competitive advantage). So he took the decision to initiate a long-term growth strategy in parallel, which demanded creativity, collaboration and risk-taking. The loss of talent during restructuring has been highlighted as a consequence of long periods of retrenchment (Trevor and Nyberg, 2008). This move was seen by the CEO as "unique" as, according to his experience, growth strategies only start when the financial restructuring is over.

> *And we said, "We're not rushing: we're three years into restructuring – the company is wearing out; people are wearing out." So that is one element that we had to face at [the company name] which was different from other restructuring, so that needs a certain vision and certain decision-making. And there's one unique element, because, as a result of this prolonged restructuring, we entered into changing strategy – a strategy exercise and changing strategy, already while the restructuring was not behind us. Now normally that doesn't happen. Changing the strategy happens after the restructuring, the financial restructuring is done. But we couldn't wait anymore because we said we're losing out and we might finally like to start in maybe two, three years down the road – but then there's no company anymore, so the patient has to move forward while it is trying to become healthy again, so that is why this is different.* (CEO 4)

Other CEOs described the concept of separating short-term actions required for restructuring from long-term actions enabling future growth. Too much emphasis on restructuring without protecting capabilities required for future growth may ensure survival in the short term but place the company at a competitive disadvantage in the long term. Hence, balancing short- and long-term demands is a critical challenge for the CEO. The CEO of a high-tech company explained:

And we separated out the really long-term things that had to be protected from the shorter-term things: we changed, we invented some new products so that people could buy cheaper versions of the products. Because one of the problems we had before was people just couldn't afford to buy these licences. And we knew that: we knew this experience about cutting long-term projects, our customers cutting long-term projects – one of the barriers was the price of dealing with [the company]. And so we invented some new products which were basically priced at: well, instead of buying a licence that enabled you to design lots of chips with [the company] we basically cut it up into bite-size pieces – not rocket science at all. And people could buy a small chunk and that at least kept them in the game. And we assumed that it would be cyclical and that they would appear again at some stage. We didn't know how long it was going to be, so we needed to make sure that it was sustainable at a lower level. (CEO 6)

From the above examples a number of aspects become clear. First, when the main cause of decline is external economic and/or financial conditions which do not alter the firm's competitive advantage, CEOs choose to follow a sequential pattern of retrenchment and recovery. Yet CEOs identify and preserve the capabilities that must not be affected by restructuring, thereby ensuring reconciliation between short-term survival and long-term competitive advantage. Some CEOs that initially place greater emphasis on restructuring recognise at some point that recovery needs to happen in parallel, as the company may lose important capabilities (e.g. key people leaving the company, low morale). CEOs emphasise the idea that both phases require significantly different behaviour, mind-sets and people: one described transitioning from restructuring to growth as "quite a shift", indicating the difficulties inherent in the transition.

4.7.3.2 Simultaneous restructuring and growth

CEOs that experienced some form of technology disruption to the firm's business model reported a different approach to restructuring and growth. As we have seen, the external environment is perceived to be eradicating existing competitive advantage and therefore retrenchment is seen as important but insufficient. In an initial short period the CEO focuses on restructuring, but in time enacts both restructuring and growth. CEOs retrench both assets and costs, while finding new configurations of resources and creating entirely new structures based on different technology. The decision to enact restructuring and growth simultaneously has been defended by several turnaround academics (Lim et al., 2013; Morrow, Johnson and Busenitz, 2004; Martin and Kimberly, 2008). These scholars argue that firms cannot engage in retrenchment without a clear understanding of how to recover (i.e. which assets will be critical for the long-term competitiveness of the firm). Further, firms often require external finance to be successful in the turnaround effort and investors are only willing to invest if the firm can articulate how it is to be competitive, which entails both short-term retrenchment and long-term growth (Filatotchev and Toms, 2006).

The CEO of a large retail company indicated the need to enact restructuring and growth simultaneously, balancing short- and long-term demands. He spoke of having to "pat his head and rub his tummy", referring to the contradictory nature of the two strategies and the difficulty of addressing both in parallel. He articulates this as a central demand of the CEO role.

> *Well, that all comes down to building. You go from fire brigade management – the day-to-day stuff, survival, the need for a change, cash, instant stuff – into: OK, we've now bought, we're out of intensive care, we're in the general ward, now we need to take some exercise, now we need to … And that's about building the team, starting to build the long-term strategy, go from a one-year*

strategy to a three-year strategy and then start building on from there. But it's an iterative process and judgement call completely about how you need to do it. And a chief executive needs to be able to pat his head and rub his tummy, and have a twofold strategy. It needs to have more of the same to make sure we don't backslide, and we need to start planning for success. And, if we are successful, this is what we're going to do as well, and you need to start both in parallel. (CEO 11)

Another CEO elaborated further about the tensions between restructuring and growth which require fundamentally different types of teams and approaches. While the CEO initially split restructuring and growth, focusing on restructuring, he then gradually began to integrate a simultaneous restructuring and growth strategy.

Yes, two different type of teams and approaches. Yeah, well, two different types of thinking and behaviour. But what you should do – and you've just put your finger on it – is you should start doing some things which don't unwind other things, so they're add-ons which you can do in a discreet way which are going to add value to business maybe in two or three years' time. So you plant seeds. (CEO 11)

A further CEO described the tensions between restructuring and growth during digital disruption. He emphasised a primary focus on restructuring the business with a financial mind-set dominating (i.e. liquidity) while establishing the new long-term capabilities that would enable profitable growth. The result was a retention of both elements of the legacy, declining business model (i.e. exclusively shop-based) and the new growing business (i.e. digital presence). Interestingly, he spoke of the pressure to switch the business model entirely to digital, but instead chose to pursue a "high-tech and high-touch" (i.e. both shop- and online-based) approach, retaining the ability to satisfy the capacity of the airline business.

But we could get the cash and then we had to write off goodwill, but that was not cash-relevant, and in a turnaround you really have to focus on cash. And we got more cash in that I spent for restructuring, so it was a really self-finance turnaround … And principally wanted to move into a digital world, and there I was somehow pushed to reduce and to bring up the percentage of online bookings. And I could easily push that off by closing all the shops; then I would have had 100%, almost. But it would not have landed well, because I had as well planes to fill. And there we then found in this dilemma: how far do we go if I am to compromise? That was me – mine to decide – if we close those shops who are not profitable on short plan. So where we lose money to have the shops and we said, "We keep all those shops open who are contributing on the shop level to the head office or to the central costs and are giving us valued power, and are somehow in proximity to another shop." (CEO 8)

One CEO explained how he initiated restructuring and growth simultaneously. While the company was stagnant, with very fragile growth and high levels of inefficiency, the CEO took the decision to embark in a cost transformation exercise, releasing the necessary resources to simultaneously invest in new, risky technology and gain first-mover advantage over competitors. As the technology was new to the industry, it wasn't at that point cannibalising the existing business, and hence the CEO had more time to make a transition.

So what investment [in the new product technology] is on its own, actually quite risky. But if it goes wrong, we'll stop doing it, in which case the profits will come back up because, actually, we're doing it anyway. And if it goes right, the profits will come up. But what we're, we're effectively paying for the investment with the cost transformation. So, the profits, the free cash flow we'll generate will still be up next year, despite spending all of this money. So in some ways you don't have to worry too much about the micro nature of the decision: we'll pay for it. So we turned the decision – that's what I mean: there's a difference between a risky micro decision and a macro decision, so

> *how can you actually, finding ways effectively to create the space to do the stuff. Because if I'd had to turn round to shareholders – which is the normal: companies normally have a decision which is one, particularly companies in a, maybe a declining industry, or an industry that's perceived as declining one is: they milk the business for as long as they can, and pay out a higher and higher dividends; but ultimately you're buying into a declining cash flow stream. Sometimes, not even ultimately, you just are. Or they say, "The future's wonderful in five years' time, but in the meantime you're going to have to take a massive decline in cash flows and etc."* (CEO 3)

CEO accounts indicate that enacting restructuring and growth simultaneously is often a choice of how to handle strategic tensions. The accounts underlined the importance of understanding and managing the differences between the two approaches (i.e. in terms of thinking and behaviour) as well as the interdependencies (i.e. realising resources from restructuring in order to grow sustainably) and then being able to implement them consistently.

4.7.3.3 Allocating exploration and exploitation demands to different business units

An additional structural choice handled by CEOs was to create split divisions based on different time and goal orientations (i.e. exploitation and exploration units), holding them to different standards, and providing separate leadership at the top. This has been proposed by ambidexterity scholars as a structural solution to ensure coordination and integration of exploration and exploitation (e.g. Tushman and O'Reilly, 1996; Raisch et al., 2009). Structural differentiation allows each unit to focus effectively on its distinct competence of either exploitation and exploration, requiring as they do a different focus, thinking and behaviour, while top management ensures there is integration at the top (Smith and Tushman, 2005). For example, Lubatkin et al. (2006) found that top management team behavioural integration is an integrative mechanism that aids in processing disparate demands of exploitation and exploration. Eisenhardt, Kahwajy and Bourgeois (1997) suggested that top team integration facilitates the recognition by executives of each other's preferences and conflicting roles. The development of reward systems contingent on the achievement of shared goals between exploitative and explorative divisions has also been identified as a useful integrative mechanism for structurally differentiated units (Jansen et al., 2009).

One CEO perceived the company to be very good at creating new products (i.e. exploring) and less able to distribute and sell finished products (i.e. exploiting). He took the decision to structurally split business units, holding them to different standards, as illustrated next.

> *… if you look at what is the fundamentals of the business: that is, you create a show, you produce a show, you sell it and you produce it and then you exploit it … The company is still, I would argue, the best company in the field, is still the most creative company. It is still the best production company. Where it needs to learn is to also become the best exploiting company of its field. [The company] never been very good at that, and we need to improve that. First thing we did was set up this distribution business. We've got now one unit: it's called [Company] Worldwide Distribution, that is not in production but is entirely into distribution of finished program … So they sell our own shows and they do acquire rights to other people's shows and, in particular, on the scripted side.* (CEO 4)

Another CEO of a travel and leisure company took the decision to decouple the tour operator division from the airline business, holding them to different standards (i.e. different target customers, different distribution channels).

> *We decoupled two units and said there has to be strong links. And there were strong links and a couple of weekly meetings, half-a-day meetings, where we were looking into it every yield, every city, every load factor, every yield*

development and then shifting capacity from one to the other. And we started with 85% of the capacity of the airline had to fill, had to be filled by the tour operator; we are now down to 65%. And that means that the tour operator is much more relaxed in filling the capacity. It's still too much but we can't do it in one step: we will do it in a further step when we come down to 50%. And this gives the tour operator a much more relaxed position on the pricing because it does not have to just run behind the capacity to fill. And, on the other hand, we said the airline has to build up their own sales chance with seat-only and with the web, and to go somehow into a different clientele and client segment and develop GDS and all these different sales chance, which are then not having, or which are not directing to exactly the same place as we are directing it in the tour operator. And this worked really well ... Yeah, mentally we separated it: not yet we operationally anyway, yes. (CEO 8)

While in the past the tour operator and the airline businesses were competing with each other for the same customers, the CEO, in splitting the two businesses and holding them to different standards, was able to direct each business to different market segments; and provide direction and integration to both businesses from the top by means of a series of weekly meetings where both businesses are brought together and differences are addressed. A common key performance indicator (KPI) system was also developed to provide integration between the airline's and tour operator's activities.

4.7.4 Strategy communication and alignment

To ensure consistency throughout the organisation the CEO must communicate internally to ascertain that employees at all levels can implement the strategy vigorously and consistently. CEO accounts highlighted a requirement to undertake the communication personally, to lead by example, and for the message be extremely simple and focused. It has long been recognised that successful strategic change depends not only on the creation of new strategies and structures but, importantly, also the ability to convey a new mission and strategic priorities to a variety of stakeholders (Gioia et al., 1994; Smircich, 1983). The acceptance of the new mission and/or strategy is an important element in the CEO's quest for legitimacy (Fiss and Zajac, 2006). The role of the CEO in communicating expectations of behaviour aligned with the new purpose and strategy has been noted by Tengblad (2004). CEOs use a variety of tactics such as meetings with personnel, management conferences and other forums to communicate messages about the desired state of affairs in the form of simple messages such as "the ten commandments", the company "cornerstones" or "new mission". In this thesis participants provided abundant examples of such behaviour (Tengblad, 2004).

One CEO of a building company undergoing restructuring took an eight-week tour across the business, translating the strategy into a simple message that ensured all the organisation was consistent in implementing strategy.

> *I decided to do an eight-week tour of the country, so I went to every single business, spoke to every employee and basically said, "There are just three things you need to do. It's about reducing cost, it's about driving sales and it's about retaining cash." ... It was a big road tour that we did, that I did, going to every single business ... went through it with every single management team and basically said, "These are the three things we have to do. It's not complicated; you've just got to do them incredibly well." But the communication, I think, was the most critical element. Very simple. Reduce costs, drive sales, and bring in cash.* (CEO 1)

Another CEO of a pharmaceutical company described communication of the new mission across the organisation to ensure alignment as a crucial, ongoing and dynamic challenge.

> *In a company of this size, by the time you get the last person aligned to the new mission, the mission has started, so it's a very – I think alignment is a 24-hour, seven-days-a-week forever mid challenge, because alignment, the*

> *implicit assumption of alignment, is that: if only you could explain to everybody in their bubble, then everybody would align and you're not stable. But the reality is that a) that's very difficult, b) people hear different things, so they don't always get it, and c) there is a natural drift: humans do not do the same thing – even humans who were asked to do the most predictable thing in the most measured environment will consistently fail to do it. And so you're, and which eventually deteriorates alignment, at the margin it doesn't, but at the gross level it destroys alignment, and so you can't, you're always – that's a huge agenda.* (CEO 7)

The CEO of a high-tech company revealed the importance of increasing communication about the company's position in the industry and how the company was to compete, referring to different forms of communication, open-door policies and leading by example as ways of aligning people with the company's strategy.

> *… I increased the amount of communication, so I got all the execs out doing so-called town hall meetings with their staff in different parts of the world. I did a lot of that myself and the CFO … they need to understand the dynamics in the industry and the company's position in the industry and how everything worked. And so a lot of face-to-face communication, written communication, all the open-door policies and that sort of thing and leading by example. So when you're trying to tell people to be careful about money, then you don't have the execs flying around business class. It's nonsense, and so leading by example and communicating I think are the key things.* (CEO 6)

The CEO of a large entertainment company held "monthly reviews" with leadership from different units to discuss progress against the company strategy, as well as to reinforce and motivate managing directors' positive achievement in some areas, or make suggestions for improvements in others.

> *… I do a monthly business review with all of the major units that I oversee directly. And part of that is going through what's happening in the business,*

but part of it is just simply to have a direct relationship with the MDs and just chat about what's happening and give compliments about what's going well or make a suggestion… (CEO 3)

Strategy communication ensures that leadership at all levels understands the drivers of strategy and can implement actions at different levels that are aligned and consistent with the corporate strategy. Determining where the competitive advantage lies and then communicating appropriate expectations very clearly to leadership at all levels of the organisation are two critical choices for the CEO in ensuring organisational alignment and engagement with the strategy and its effective execution.

4.7.5 Summary of Theme IV: CEO role: strategic behaviour

This theme has been concerned with CEOs' strategic behaviour. Four fundamental areas emerged as critical for the CEO role in contexts of far-reaching change: i) top management team composition, size and dynamics; ii) strategy formulation; iii) redesign of organisational structure; and iv) strategy communication and alignment. These are critical demands of the CEO role where incumbents face both choices and competing demands.

CEOs have been shown to enjoy substantial discretion in determining the composition, size and dynamics of the top management team (TMT). It has been shown how changes in TMT composition and size are likely to happen when CEOs perceive environmental changes as fundamentally challenging the company's competitive advantage (i.e. technology and regulatory changes). When CEOs perceive change not to affect competitive advantage (i.e. an economic and financial crisis), CEOs tend to maintain TMT composition and size. Those CEOs who do make changes to the TMT focus both on ensuring diversity of skills and experiences that are relevant in light of the challenges faced by the company, while also seeking to select individuals who are trusted and loyal. This ensures a balance between team diversity and cohesion. At the same time CEOs are tasked with preserving firm-specific knowledge by both retaining existing TMT members and promoting others from within the company. This helps to ensure that continuity and change are adequately balanced, and that the TMT retains valuable inside knowledge. TMT differentiation, and continuity and change decisions, are made consciously by CEOs and are common in environments characterised by uncertainty, instability and complexity (Tushman and Romanelli, 1985; Virany, Tushman and Romanelli, 1992). TMT size was found to be a conscious choice for CEOs. Smaller teams were normally chosen to facilitate consensus and fast decision-making, often required in companies facing seriously low performance. These choices about structure and composition emerged as antecedents of the TMT processes of consensus and social integration (Finkelstein, Hambrick and Cannella, 2009). CEOs, it was found, are given latitude in the way they lead top team decision processes. However, we observe common themes referred to by CEOs. CEOs were found to encourage open debate and discussion within the TMT, and see their role as "*primus inter pares*". A concern for open debate and constructive challenge within the TMT decision process was accompanied by a preoccupation with ensuring the TMT remained cohesive and that meaningful consensus was attained. CEOs also spoke of a decentralised style of decision-making, and greater delegation both to the top team and from the top team to lower levels of management. This pointed to increased levels of delegation and risk-taking by CEOs in firms facing seriously low performance, and is in line with findings from Bowman (1982).

In discussing preferences and choices in composing and leading the TMT, there was little reference to role interdependence within the TMT – with one exception. The role of chief financial officer (CFO) and the relationship with the CEO emerged as a critical factor during restructuring and strategic transformation. Where there was misalignment between the CEO and the CFO (either in the form of low trust or where the CFO was not focusing on the right aspects of role), CEOs referred to this as a source of constraint with negative implications for CEO time and focus, as well as having implications for strategy implementation. However, many CEOs described the CFO as a fundamental partner in driving restructuring and strategic transformation. What emerged was a partnership between the two, where competing demands arising from restructuring and growth are split, with CFOs taking greater responsibility for short-term restructuring and CEOs focusing more on the company's longer-term transformation. A relationship based on challenge and communication between these roles provided a platform for integrating short- and long-term demands. While past research found the CFO role became more important during times of poor performance (Reutzel and Cannella, 2004), hardly any research has been done in investigating the dyadic relationship between these key roles, the one exception being Han, Zhang and Han, 2015.

Tensions between TMT executives with different time, cognitive and emotional orientations arising from role demands were commonly cited by CEOs. The CEO role emerged as an integrator of competing perspectives within the TMT, ensuring cognitive recognition of different perspectives, and maintaining team integrity. In some cases CEOs encouraged executives to assume temporary leadership of each other's divisions or promoted team-building exercises to ensure integration and a more holistic recognition of strategic competing demands. In this sense, CEOs were depicted as "symphony conductors" in line with Eisenhardt, Kahwajy and Bourgeois, 1997.

A second area of demand and choice for CEOs is strategy formulation. CEOs that perceived the external environment to be one of technology or regulatory change disrupting the company's competitive advantage declared a requirement to articulate a distinct business purpose. This was found to enable the organisation to make sense of the new environment and company direction, and helped CEOs make decisions about competing demands and complex problems, as well as serving as a tool for empowerment for managerial decisions at all levels. The articulation and communication of a new business purpose also highlighted CEOs' "sense-giving" function (Gioia and Chittipeddi, 1991). It emerged as a way of ensuring that short-term actions and decisions were made with reference to long-term goals (David, 1989).

A further aspect closely related to the articulation of a distinctive purpose was the requirement to determine the company's competitive advantage and unique capabilities. Irrespective of whether environmental conditions disrupted competitive advantage, CEOs referred to a need to identify it. CEOs who were facing economic recession and financial crisis which did not fundamentally disrupt competitive advantage found it nonetheless useful to determine competitive advantage so that decisions about restructuring and growth could be made so as to preserve and reinforce underlying capabilities. Those CEOs facing technology and regulatory disruptions that eradicated competitive advantage faced the task of identifying a new competitive advantage based on an analysis of both market position (Porter, 1980, 1991) and firm resources and capabilities (Barney, 1991; Grant, 1991). This enabled CEOs to protect existing resources that would be useful under the new circumstances as well as acquiring new ones. Understanding the sources of competitive advantage allows CEOs to make consistent choices in terms of structure and resource allocation.

A final aspect relating to strategy formulation is determining the pace and scale of change. In contexts of uncertainty and complexity, CEOs voiced the need to establish the scale of restructuring and how fast business should be transformed for growth, affirming that this needs to be clearly determined. Restructuring that is too large and happens too fast may ensure survival in the short term but can mean that important capabilities in the form of talent and valued combinations of resources are destroyed – which may make it harder for the firm to face the future. And yet being too slow in enacting strategic change may mean companies lose the competitive battle. Hence CEOs must balance the need for stability and continuity with the need for change (Mintzberg, 1979).

Organisational redesign follows strategy formulation. Two fundamental aspects of structure emerged: the need to balance restructuring and growth as well as exploitation and exploration. It was shown how CEOs choose to implement restructuring and growth sequentially or simultaneously according to the characteristics of the environment. Sequential approaches were observed when CEOs perceive the external environmental change (i.e. economic recession, financial crisis) as not disruptive to existing competitive advantage. The focus of the CEO in this case is to prioritise restructuring while protecting the existing distinctive capabilities that are the basis of *current* competitive advantage. This approach was found to be in line with stage models of corporate turnaround (Bruton, Ahlstrom and Wan, 2003; Filatotchev and Toms, 2006; Robbins and Pearce, 1992). Conversely, when CEOs perceive the current competitive advantage to have been eradicated (i.e. by technology or regulatory change), they implement restructuring and growth simultaneously. This approach is line with turnaround scholars who argue for simultaneous enactment of retrenchment and recovery as the only way to achieve sustained corporate performance (e.g. Arogyaswamy, Barker and Yasai-Ardekani, 1995; Schmitt and Raisch, 2013). The argument that perceptions of competitive advantage drive the choice about sequential or simultaneous restructuring and growth has been hardly acknowledged in turnaround literature.

CEOs were also observed considering organisational redesign around exploitation and exploration. Structural separation of business units around exploration and exploitation was a frequent choice for CEOs who wanted to increase efficiency in the short term and innovation in the longer term. This has been described by ambidexterity scholars as structural ambidexterity (Tushman and O'Reilly, 1996; Raisch et al., 2009). It was also found that, while structural differentiation allows a focus by different divisions on either exploration or exploitation, there are a number of integrative mechanisms that can be used to integrate the efforts of structurally differentiated units. In line with past research, it was found that integration occurs at the top between executive leaders of each unit (Smith and Tushman, 2005), suggesting that behavioural integration in the top team is important in reconciling competing demands and the tensions between exploitation and exploration (Eisenhardt, Kahwajy and Bourgeois, 1997; Lubatkin et al., 2006). The use of common reward systems – where shared goals among distinct divisions are articulated – have also emerged as a mechanism for integration between exploitation and exploration divisions (Jansen et al., 2009).

CEOs were also found to devote substantial time and energy to strategy communication and organisational alignment by means of: meetings with leadership at other levels, business tours, "town halls" and other communication activities – and also through leading by example. Communicating the new vision or the key actions expected was seen as an ongoing task, where alignment is a dynamic and continuous process. CEOs are in this sense "communicators of expectations" (Tengblad, 2004) and this is critical for both CEO legitimacy and effective strategy implementation (Fiss and Zajac, 2006; Gioia et al., 1994).

The next section summarises the four themes, providing a synthesis of the analysis and discussion in this chapter.

4.8 Summary of Chapter 4

This chapter has identified and discussed four overarching themes that have emerged from the analytical work undertaken in this study. These themes are as follows:

Theme I: Chairperson and CEO roles: perception of business context and competing demands;

Theme II: Chairperson and CEO roles: role boundedness

Theme III: Chairperson role: leading the board in order to deal with strategic tensions;

Theme IV: CEO role: strategic \behaviour

Theme I is concerned with exploring the nature of business contexts and competing demands perceived by CEOs and chairpersons while fulfilling their roles. Strategic and role-based tensions faced by both chairpersons and CEOs emerged in contexts characterised by high levels of uncertainty, instability, complexity, resource scarcity and low munificence driven by i) economic recession and financial crisis; ii) technology change; and iii) far-reaching regulatory change. Here, firms were suffering from substantially low performance and their very survival was threatened. CEOs and chairpersons perceived two fundamental strategic tensions: between restructuring and growth and between exploitation and exploration. Role-based tensions were also identified. In some instances, CEOs faced tensions in articulating the operational and strategic demands of their work. Both CEOs and chairpersons pointed to the increased salience of tensions between diversity and debate, and unity and consensus, in the top management team and in the board, respectively. Within this theme, the roles of both chairperson and CEO are identified as having important boundary-spanning responsibilities and are tasked with sense-making of the external environment. How the external environment and fundamental strategic tensions are perceived by CEO and chairperson have been shown to influence the way chairpersons and CEOs work together and the relationship they establish, as well as how they fulfil their respective roles.

Theme II explores the dynamic interplay between the chairperson and CEO roles. This interplay emerged very strongly from data analysis as being critical in determining each incumbent's effectiveness and, importantly, the organisation's ability to effectively respond to strategic tensions arising from environmental change.

High levels of trust, shared experience, frequency of communication and complementarity of skills, experience and perspectives were identified as critical in determining how role boundaries are delineated, as well as the nature of the role the chairperson can play in relation to the CEO. These relationship qualities being present means tensions can be raised and investigated by either party without fear of recrimination or loss of face, as well as allowing both to arrive at a meaningful common understanding of the challenges and options available. A shared understanding was found to be critical for both to fulfil their roles effectively. Boundary management is partly determined by relationship qualities and incumbents' interpretation of their roles. Irrespective of the nature of the challenges facing the firm, incumbents often delineate roles according to accepted, normative prescriptions enshrined in corporate governance codes and practice (the chairperson leads the board and the CEO leads the company). However, a number of CEOs and chairpersons do not rely on such rigid prescriptions and negotiate them according to the circumstances at hand. Boundaries are negotiated with reference to how each incumbent can effectively contribute skills, experience and relationships in handling challenges. Here, the division of labour between the CEO and the chairperson is not negotiated around neat categories (i.e. internal versus external) but is highly dependent on the specific contributions each can make to the ever-evolving challenges.

The amalgamation of relationship qualities and the way role boundaries are delineated shapes the range of roles the chairperson can play in relation to the CEO and how effectively these are performed. Findings revealed three key roles chairpersons may play in relation to the CEO in contexts of far-reaching change. A central role, and little discussed in the governance literature, is that of buffering. It was shown how CEOs are at the centre of the convergence of (often contradictory) expectations of different powerful stakeholders. In particular, it was observed how non-executive directors' (NEDs'), boards', shareholders' and market analysts' expectations and behaviour often put pressure on the CEO to go in different (and often contradictory) directions, making it difficult to reconcile them into a coherent agenda. The role of the chairperson as a buffer emerged as a fundamental support enabling CEOs to withstand such pressures and maintain a sense of direction. CEOs are vulnerable to the multitude of expectations, as they may be tempted to forgo the balance between the short and long term, or set unrealistic expectations to appease particular constituencies and/or reduce pressure. Chairpersons intervene as buffers to "dissipate waves", act as "sponges" and as "containers and channels". The chairperson mediates this "game of expectations" between the CEO and the board, shareholders and other market players. To do this, chairpersons require true independence of mind and behaviour as well as an in-depth understanding of the industry and the nature of stakeholder expectations. As CEOs can be frustrated by multiple expectations and pressures, chairpersons have the additional role of counselling and advising CEOs. Chairpersons often act as CEOs' "emotional regulators", ensuring that sound and balanced judgement is maintained, and advise on alternative courses of action in response to emerging tensions. On some occasions, chairpersons were found to be working as partners of CEOs, effectively sharing executive and leadership responsibility for different sides of a particular tension.

Theme III is concerned with the unique features of the chairperson's role: in particular, how the chairperson leads the board of directors to handle strategic tensions that emerge in contexts of far-reaching change and poor performance. While much of board structure, composition and practice is influenced by the UK Corporate Governance Code, chairpersons retain substantial discretion in how they fulfil their role as leaders of the board. Critical demands that emerged were board composition, NED–board engagement, board agenda and work organisation, and leading boardroom debate, dynamics and contribution.

Chairpersons were found to compose the board so as to ensure alignment between strategic challenges and individual directors' skills, experience and connections with relevant external organisations, emphasising the board as a provider of resources that can support the executive in reducing uncertainty and handling strategic tensions. In addition, a diversity of skills and experience allows chairpersons to build cognitive diversity around the table which maximises the board's ability to challenge and advise management, and to bring additional perspectives to particular challenges. Chairpersons also utilise board composition to signal commitment to change to important stakeholders inside and outside the company. Levels of industry expertise on the board were found to function as both a constraint and a support to the executives. Chairpersons and CEOs highlighted that too much industry expertise, while allowing a deep understanding of typical business tensions, nonetheless reduces the ability to observe changing industry dynamics and see beyond industry recipes. And too little industry expertise may mean the board is unable to understand the strategic and operational tensions faced by CEOs, and therefore be able to offer little in the way of support. In making decisions about board structure and composition, chairpersons often face the tension of ensuring a balance between diversity and versatility and board cohesion and consensus.

Chairpersons devote substantial time to ensuring adequate levels and high quality of engagement between NEDs and the company, and between the board as a whole and the CEO. Chairpersons set the engagement policy and expectations for NEDs by promoting NED visits to company operations, encouraging them to speak to other levels of management and giving them access to company documents. These practices support NEDs in building an independent information platform from which to more effectively challenge and/or advise management. Additionally, chairpersons set the tone for the engagement between the board as a collective body and the CEO. In particular, chairpersons emphasised the need to engage with strategic tension-generating topics as early as possible before there was too much detail and commitment. This practice requires chairpersons to ensure that these topics are built into the board agenda, and that board work is organised in a way that facilitates engagement. For example, subcommittees have been identified as having the potential to reduce information flows and engagement among NEDs, and many chairpersons choose to allow all directors to attend subcommittee meetings.

A final chairperson demand is that of leading boardroom debate, dynamics and contribution. Chairpersons were found to cultivate open and high-quality debate about strategic, tension-generating topics. They have the responsibility for encouraging a contribution to the debate from all board members, and encouraging cognitive conflict while maintaining cohesion and meaningful consensus about the company's strategic direction. There are vivid descriptions by chairpersons of an "interactive strategising practice" which is more important than formal strategic planning sessions when companies require a change in strategic direction. In this sense, chairpersons determine the degree to which the board is involved in strategy making. The theme closes with how CEOs perceive the actual contribution of boards to strategy making. Despite the chairpersons' narrative of challenge and debate about strategic tension-generating topics in the boardroom, the perception of CEOs is that boards are too constrained by lack of time, lack of knowledge of the company and of the pace and scale of change to be able to contribute more than incrementally or marginally to shaping strategy. However, it may be that the very threat of board scrutiny shapes the way CEOs think about strategy in their quest for legitimacy.

Finally, **Theme IV** focuses on CEOs' strategic behaviour. Four sub-themes have emerged defining CEOs' strategic behaviour: i) top management team (TMT) composition, size and dynamics; ii) strategy formulation; iii) redesign of organizational structure; and iv) strategic communication and alignment. Although these key aspects of the CEO's role may appear linear, in reality they dynamically and continuously influence each other – and not all CEOs pursue them in the same fashion. For example, CEOs experiencing an economic recession and/or financial crisis which are perceived as not fundamentally changing the company's competitive advantage do not tend to change their top management team. On the other hand, CEOs who face far-reaching technology or regulatory change which is perceived as disrupting competitive advantage do change the TMT – substantially. It was shown how CEOs choose to compose their teams so that they adequately reflect, in terms of skills and experience, the strategic challenges facing the firm. In addition, CEOs seek to ensure a balance between diversity and team cohesion by hiring trusted executive members from the outside, as well as promoting others from within the company. This also allows CEOs to retain firm-specific knowledge that is valuable when changing strategic direction. Forming smaller top teams emerged as an additional choice for CEOs in further facilitating top team behavioural integration and consensus. CEOs depicted themselves as "*primus inter pares*". They lead the top team so that open debate and constructive challenge are encouraged during decision-making, while simultaneously seeking to maintain a united and cohesive team. In a context of far-reaching change, CEOs were found to decentralise decision-making and delegate more to executive colleagues. Further, how the CEO and the chief financial officer (CFO) work together emerged as a critical factor in successful handling of strategic tensions, particularly between short-term restructuring and long-term growth. Within the TMT, CEOs were depicted as integrators and "symphony conductors", as they ensure that executives with different time availability, and cognitive and emotional orientations, are able to work through differences and coordinate efforts. In addition to educating other executives in working together, CEOs may instruct them to swap positions or engage in team-building exercises to build cognitive recognition of each other's differences and points of convergence.

Strategy formulation emerged as the second area of demand and choice for the CEO encompassing the formulation of a new, distinctive business purpose, determining competitive advantage and distinct capabilities and also the pace and scale of change. CEOs who perceived current competitive advantage as unaffected did not consider the articulation of a distinct business purpose as a part of strategy formulation. However, this was seen as a requirement by CEOs who were facing technology and regulatory disruptions that eradicated competitive advantage and rendered underlying capabilities obsolete. In such cases, the articulation of the company's purpose was seen by CEOs as a sense-giving tool, as well as a tool to empower everyone in the organisation to make decisions that align with that purpose. The articulation of a purpose also allows short- and long-term action to be carried out in a coherent manner. Findings also pointed to a requirement to identify the company's current and future competitive position and advantage, irrespective of the environmental conditions affecting the firm. This allows for subsequent choices about organisational structure to protect the firm's underlying capabilities, dispose of obsolete ones or reconfigure them, and acquire new resources.

Fundamental tensions emerged between restructuring and growth and between exploitative and explorative structures and activities. It was shown how CEOs face tensions between undertaking restructuring and growth sequentially or simultaneously and how external environmental conditions may affect these choices. Further, it was shown how CEOs often rearrange the relationship between exploitative and explorative divisions inside the company, by resorting to structural differentiation and using integrative mechanisms to ensure coordination.

Finally, CEOs devote much time to ensuring that strategy (and in some cases purpose) are communicated throughout the organisation and that continuous alignment is built to ensure the organisation moves in the intended direction.

The next chapter will present the empirical model and propositions arising from the analysis and discussion of the four overarching themes in this chapter. An identification and discussion of the theoretical and practical contributions arising from this thesis will follow.

Chapter 5

RESEARCH CONCLUSIONS AND CONTRIBUTIONS

5.1 Introduction

This chapter brings this thesis to a conclusion. It starts by summarising the thesis findings and specifying the emergent model and propositions of how chairpersons and CEOs respond to strategic tensions. It follows an assessment of the quality of the research, which contends that the research meets the criteria for a qualitative, exploratory inquiry. The next section examines the extent to which the aims and objectives of the research have been achieved. This is followed by an identification and discussion of contributions to theory and practice, along with considerations for future research and the limitations of the study. The chapter closes with a personal reflection on the PhD journey and with a summary.

5.2 Summary of findings

In the previous chapter the findings of the thematic analysis undertaken were presented and discussed in relation to relevant literature. The findings were organised into four overarching themes (please **refer to Table 10, Chapter 4**) which are now summarised in terms of key findings and emerging relationships.

The first theme discussed the nature of the external environments and strategic tensions as perceived by CEOs and chairpersons. The findings reveal that neither CEOs nor chairpersons perceive or frame strategic tensions as paradoxical, contrary to what is proposed by the vast majority of literature on paradox (e.g. Smith and Tushman, 2005; Smith, 2014). The evidence suggests that the paradox concept, and some of the language associated with it, is little more than academic jargon, rather than a reality for CEOs and chairpersons in this study (Fredberg, 2014). This is not to say that these individuals do not experience tensions – in fact, they are beset by them. Rather, framing tensions as paradoxical appears neither to distinguish nor drive the behaviour of CEOs and chairpersons. Instead, this study finds that contingency theory and strategic choice (Child, 1972, 1997; Galbraith, 1973; Lawrence and Lorsch, 1967) are still predominant in explaining CEO and chairperson role behaviour and practice, both in relation to what is distinctive to each role as well as the interaction between the roles (Stewart, 1991). Responses to strategic tensions are thus partly influenced by how role incumbents perceive the environment in terms of the demands and constraints as well as how they interpret and enact their roles in context. Both CEOs and chairpersons play important boundary-spanning roles as they sit at the boundary between the organisation and the external environment (e.g. Finkelstein, Hambrick and Cannella, 2009; Kakabadse and Kakabadse, 2007; Mintzberg, 1979; Thompson, 1967); they also play a sense-making role under conditions of high uncertainty (e.g. Daft and Weick, 1984). No differences were found between CEOs and chairpersons in relation to how they perceived and framed the strategic demands and constraints engendered by the external environment. Strategic demands were often perceived as competing and difficult, but not as paradoxical. Strategic tensions of restructuring and growth (e.g. Filatotchev and Toms, 2006; Schmitt and Raisch, 2013), and (to a lesser extent) of exploration and exploitation (Raisch et al., 2009; Tushman and O´Reilly, 1996), were consistently perceived by both CEOs and chairpersons across contexts and industries. However, in those role domains that are distinctive to either CEO or chairperson, the incumbent perceived different role-based tensions. For example, CEOs consistently mentioned tensions between encouraging top management team (TMT) diversity and cognitive conflict, while also ensuring consensus and speed and unity of action. CEOs also referred to instances where they have faced tensions between their operational day-to-day activities and goals, and their strategic responsibilities and activities. Chairpersons, on the other hand, perceived a tension between encouraging debate and cognitive conflict and simultaneously maintaining cohesion and unity of action in the board.

Theme II explored the dynamic interplay between the chairperson and CEO roles. The findings indicate that this relationship is critical in enabling the effective handling of strategic tensions. The degree of interdependence between CEO and chairperson roles (although generally high) is variable, and depends on how each role incumbent interprets his/her role, the history of interaction and levels of trust between incumbents (e.g. Kakabadse and Kakabadse, 2007; Kakabadse, Kakabadse and Knyght, 2010), the time the chairperson can devote to the role (Coombes and Wong, 2004; Stewart, 1991), the complementarity of skills and experiences of incumbents (Roberts, 2002), as well as the context in which the roles are enacted. Such variables influence boundary management activities, the extent to which the chairperson and the CEO influence each other, and the roles that the chairperson can play in relation to the CEO. In this study, chairpersons were shown to play a buffering, advisory/counselling and partner role in relation to the CEO. The role of buffering emerged as central in determining how strategic tensions are handled. CEOs are at the centre of the convergence of different and often contradictory expectations about the direction of travel, arising from different groups of powerful stakeholders such as the board (in particular non-executive directors [NEDs]), shareholders, investors and market analysts. The CEO thus struggles to reconcile them into one coherent agenda (Czarniawska, 1985) and maintain a strategic direction that accommodates different risk orientations, different appetites for short- and long-term performance and different perceptions about competitive advantage and the pace and scale of strategic change. The chairperson buffering role emerges as the critical mechanism that insulates the CEO from particular pressures as well as regulating CEO responses (Lynn, 2005) (which may conform to, deviate from, "impression manage" or ignore expectations). By sitting between strategy and governance, the chairperson plays a critical role in alignment of expectations, the building of trust and in ensuring that a credible sense of direction is followed that balances risk, short- and long-term performance, and pace and scale of strategic change. In regulating CEOs' behaviour, chairpersons appear to exercise advisory and counselling roles. The advisory role has a cognitive dimension and finds expression in debate around, and calibration of ideas surrounding, particular issues or problems; whereas the counselling role has a more emotional dimension – regulating a CEO's emotions and thereby helping him/her to remain focused and objective. Evidence shows that the chairperson aims to ensure a CEO's emotional stability and objectivity, employing his/her industry experience and strong sense of independence to coach and counsel the CEO through strategic tensions arising from different pressures and contradictory expectations. Further, sometimes chairpersons also act as partners, actually taking executive responsibility for one aspect of a tension (for example, exploration with a view to the long term), which is akin to the separation of efforts proposed by paradox theory (Lewis, Andriopoulos and Smith, 2014; Smith, 2014).

Theme III examined those role demands, constraints and choices that are uniquely associated with the chairperson role. These included determining board composition, establishing board engagement policy and practice, managing board dynamics and contribution with regard to strategic tension-generating topics, and board contribution to strategy. The chairperson is found to enjoy a high level of discretion in choosing among different options for board composition, engagement and chairing style in board meetings, for example. The selection of these practices is partly influenced by normative prescriptions enshrined in the UK Corporate Governance Code (Financial Reporting Council, 2016), and partly by the formative context within which they are enacted. Chairpersons' responses to strategic tensions have been found to be practice-based, contingent on the environmental conditions and the formative context of the board, which "consists in imaginative assumptions about the possible and desirable form of human association as well as in institutional arrangements or non-institutionalized social practices" (Unger, 1987:89). Board composition, for example, was found to be influenced by chairpersons' perceptions of the external environment which determined the requisite variety of skills and experience needed by the board to be effective in addressing strategic challenges (e.g. Hillman, Cannella and Paetzold, 2000; Pfeffer, 1972). However, by assembling a diverse board, chairpersons then face tensions in managing the board for constructive dialogue, consensus and unity of action. Fast-changing external environments require simultaneously the requisite variety as well as speed of decision-making and action – which are difficult to reconcile (Kakabadse and Kakabadse, 2007; Minichilli, Zattoni and Zona, 2009; Taylor, 2001). Other examples of practices that constitute responses to strategic tensions are: agenda-building by boards that is reflective of tensions; promotion of NEDs' engagement with the business at various levels, as well as with the CEO (Bailey and Peck, 2013; Leblanc and Gillies, 2005); and requesting greater access to information at the right level of detail and of the right quality (Carter and Lorsch, 2004; McCabe and Nowak, 2008; Roberts, McNulty and Stiles, 2005). Chairpersons' responses to strategic tensions appear to be enacted through practice, which both aids the handling of tensions and prepares the way for other tensions to emerge. How the chairperson enacts the unique features of his/her role in leading the board, for example – i.e. ensuring quality engagement between the CEO and the NEDs, determining the board agenda, or setting the framework and tone for the board's contribution to strategy (McNulty and Pettigrew, 1999; O'Neal and Thomas, 1995) – influences both the relationship with the CEO and the CEO's role-specific behaviours. CEOs may become resentful about the way the board is led, or frustrated by too much or inadequate scrutiny of proposals, which is a reflection of the CEO's relationship with the chairperson and how the chairperson approaches his/her role.

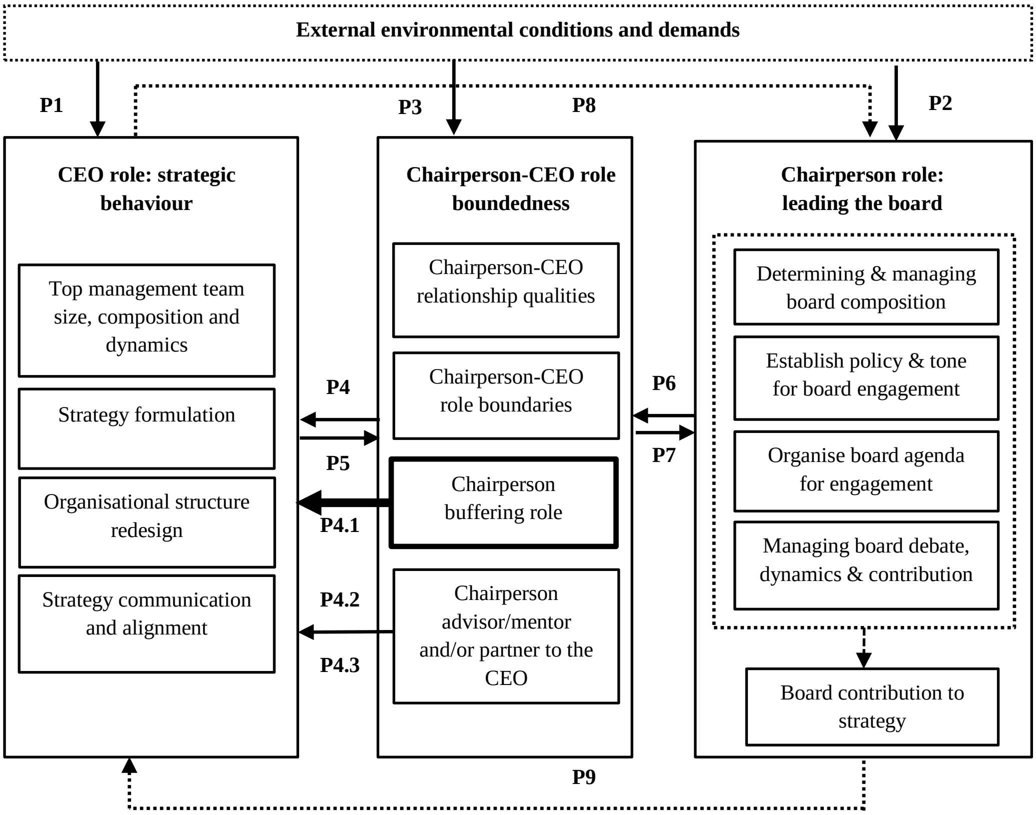
Theme IV concentrated on the CEO's role-specific demands, constraints, supports and choices. Four key role domains were distinguished: i) TMT size, composition and dynamics; ii) strategy formulation; iii) organisational structure redesign; and iv) strategy communication and alignment. CEOs enjoy substantial discretion in pursuing these role domains. A CEO's choice of practices is critically impacted by how the external environment is perceived. In contexts of far-reaching change where competitive advantage is disrupted and there is urgency to take action, CEOs were found: to change their top teams to favour increased differentiation to reflect the challenges that the environment is creating for the firm (e.g. Keck and Tushman, 1993; Tushman and Romanelli, 1985); to construct smaller top teams or use a subset of the team as the core decision-making unit; to delegate and decentralise more decision-making authority (Bowman, 1982; Carmeli, Schaubroeck and Tishler, 2011; Eisenhardt and Bourgeois, 1988); and to manage top team dynamics and the relationship with the CFO so that tensions are raised and integrated in a manner that is beneficial for the organisation while maintaining team cohesion. This study was able to isolate some discrete role behaviours and practices that are intended to handle tensions at various levels. CEOs were found to use role rotation, constructive dialogue and team-building exercises to increase the recognition of tensions among the top team and ensure better behavioural integration on an ongoing basis (e.g. Carmeli, Schaubroeck and Tishler, 2011). Moreover, the CEO–CFO relationship was found to be critical in navigating the strategic tensions of restructuring and growth, with the CEO focusing on strategy and the long term and the CFO focusing on short-term financial performance (e.g. Reutzel and Cannella, 2004; Scheumann, 1999; Tulimieri and Banai, 2010). Further, when environmental conditions are perceived to be disrupting competitive advantage, CEOs engage in developing a new purpose for the firm that often serves as a framework for the top team and lower levels in which to handle trade-offs, dilemmas and other everyday tensions (e.g. Collins and Porras, 1991; David, 1989). These CEO practices and relationships are continuous and ongoing, and do not follow a predesigned set of responses to strategic tensions (for example, of differentiation and integration) as proposed by the vast majority of studies on paradoxical tensions (e.g. Smith, 2014).

The next section develops a high-level model of the relationship between the themes and sub-themes uncovered by this study, and develops propositions that enable future testing of the proposed model.

5.3 Emergent model of chairperson and CEO responses to strategic tensions

The results from this study have enabled the development of a model that attempts to explain how chairpersons and CEOs enact their roles in response to strategic tensions during times of far-reaching environmental change. This model is depicted in Figure 6.

Figure 6: Emergent model of chairperson and CEO role behaviour



Source: Developed by the author.

5.3.1 Developing propositions

The external environment including particular events (economic recession, financial crisis, technology change and regulatory change) and corresponding levels of perceived uncertainty, complexity, instability and resource scarcity, as well as perceived urgency of action, were all found to impact on how both CEOs and chairpersons attended to particular role demands: that is, it affected the discretion and choice of behaviour in role. Further, perceptions of external environmental conditions were also found to influence and shape interactions between chairperson and CEO.

CEO strategic behaviour was found to be impacted by an individual's perception of the external environment. For example, CEOs were found to make different choices in relation to the composition, size and dynamics of the TMT according to the CEO's perception of the environment. CEOs who perceive major technology and regulatory disruptions as compromising competitive advantage appear to make major changes in the top team in the direction of greater differentiation and new domains that reflect the environmental requirements, whereas CEOs who perceive competitive advantage to remain unaffected (typically when the environment is characterised by recession or financial crisis) make small or no changes to the top team. CEOs were also found to construct smaller teams, or rely on a subset of the existing team, when environmental conditions were perceived to demand an urgent response. Other findings linking CEO perceptions of the environment to CEO choices include: constructing smaller top teams to enable cohesion and consensus; driving towards fast consensus or striking a balance between consensus and debate in the top team; delegating more to the top team or centralising more decision-making authority; choices over strategy formulation (the relative pace and scale of change, changes in the business purpose, determination of competitive advantage and unique capabilities); choices over organisational structure redesign (i.e. whether to pursue restructuring and growth actions sequentially or simultaneously); and influence on the time spent on organisational communication and alignment activities. The following proposition can thus be formulated:

P1: A CEO's perception of external environmental conditions and demands influences the role incumbent's choice of behaviour.

Similarly, how the individual chairperson perceives the external environment drives his/her choices of behaviour and practice as the leader of the board of directors. For example, a relative balance struck between promoting cognitive conflict and driving towards consensus in the way the chairperson conducts board meetings appears to be influenced by that chairperson's perceptions of levels of resource scarcity and rate of decline. Further, the chairperson's choice of board members appears to be dependent on perceived external environmental conditions and demands. The following proposition can therefore be put forward:

P2: A chairperson's perception of external environmental conditions and demands influences the role incumbent's choice of behaviour.

In addition to influencing how both CEOs and chairpersons behave within their specific role domains, perceptions of environmental conditions also appear to influence how the two roles interact. The degree of perceived environmental uncertainty and complexity appears to have an impact on levels of trust between the role incumbents and how their role boundaries are delineated. The following proposition emerges:

P3: Chairpersons' and CEOs' perception of external environmental conditions and demands influence how role incumbents interact.

Overall, these three propositions indicate that CEO and chairperson role behaviour is contingent on (perceived) external environment characteristics. For example: whether to pursue more delegation or more centralisation in the top team; whether to compose a team or a board more or less heterogeneously; or whether to manage the top team or the board with a focus on consensus or on diversity of views all depend on how chairpersons and CEOs perceive the external environment in terms of uncertainty, complexity, instability and resource scarcity, and the extent to which such environmental conditions are disruptive to competitive advantage and/or demand an urgent response. Such behaviours and choices also appear to be made in a role-specific manner: that is, they are bounded by the role the individual occupies. For example, the chairperson is not expected to make decisions about the composition of the top team (apart from selecting the CEO), nor is the CEO expected to lead board meetings or determine board engagement and composition. However, the two roles are also found to be highly interdependent, and how they interact is also impacted by how the external environment and associated challenges are perceived: levels of trust and how boundaries are managed may be affected. These propositions reveal that CEOs' and chairpersons' behaviour in response to challenges in the external environment, as well as the nature and quality of the interaction between CEOs and chairpersons, can still be explained by a contingency perspective, which predominates. It is very much an "if–then" logic, not a paradoxical logic, that emerges. CEOs and chairpersons do not appear to perceive and frame external environmental demands as paradoxical, and neither do their role behaviours (i.e. responses) reflect this.

Chairperson–CEO interaction is characterised by boundedness. The degree to which each role is permeable to the influence of the other depends critically on a complex set of aspects which interrelate to form a unique and highly contextual relationship. Their relationship both constrains and enables their role-specific behaviours and choices. This study depicts this relationship as influencing CEO behaviour and therefore strategic outcomes: particularly TMT dynamics, strategy formulation (pace and scale of change, organisational purpose, determination of competitive advantage and unique capabilities) and organisational redesign choices. The following proposition is therefore advanced:

P4: Chairperson–CEO interaction impacts on the CEO's discretionary behaviour and choice.

Particular aspects of chairperson–CEO interaction have emerged as having a greater influence on how CEOs use their discretion and make important strategic choices. Literature has primarily focused on the chairperson as a counsellor, adviser and partner to the CEO (Stewart, 1991), on their complementary resources (Roberts, 2002), and on their relationship (Kakabadse, Kakabadse and Barratt, 2006), but much less attention has been paid to the buffering role that the chairperson plays in relation to the CEO. In this study, this role emerged as central and critical to governance effectiveness and as a key influencing factor on CEO discretionary behaviour and choice. As discussed, the buffering role enables the CEO to handle multiple, often contradictory, expectations and maintain alignment and a sense of direction. The chairperson enacts the buffering role through processes of insulation and/or regulation (Lynn, 2005) (cognitive, behavioural and emotional) of the CEO in the context of a multiplicity of contradictory expectations and tensions from a variety of powerful stakeholders. Evidence also appears to link chairpersons' advisory and counselling roles with the "regulation" side of buffering. The "advice" part of the role is where the chairperson helps shape, test, calibrate and thus regulate the CEO's cognitive processes in relation to particular challenges. The "counselling" part of the role refers to the more emotional dimensions of CEO behaviour and his/her reaction to particular events or situations. The "partner" role, however, appears to be linked to more insulating mechanisms whereby the chairperson removes (by agreement) certain demands from the remit of the CEO, thus alleviating tension. The following three propositions therefore emerged, which link the chairperson's roles of buffering, counselling/advice and partnering to effects on CEO discretionary action and choice.

P4.1: The chairperson buffering role in relation to the CEO impacts on CEO discretionary behaviour and choice.

P4.2: The chairperson counselling/advisory role in relation to the CEO impacts on CEO discretionary behaviour and choice.

P4.3: The chairperson partner role in relation to the CEO impacts on CEO discretionary behaviour and choice.

The above propositions comprise a two-way dynamic process. As the CEO enacts his/her role and uses discretion and choice, he/she may deviate or create expectations different from those that have been discussed with the chairperson, thereby impacting on the trust within the relationship, how boundaries are delineated, and therefore having a bearing on which roles the chairperson chooses to emphasise (the chairperson may feel the need to be more active, or regulate, advise and/or counsel the CEO). The following proposition can therefore be put forward:

P5: The CEO's strategic behaviour impacts on chairperson–CEO relationship dynamics.

In a similar fashion, the use of discretion and choice by the chairperson in leading the board of directors has an impact on chairperson–CEO interactions and the effectiveness of the relationship. A critical example from this study concerns how a chairperson manages boardroom meetings, the extent to which challenge is allowed inside the boardroom, and how he/she harnesses the collective board contribution in a supportive manner. Where chairpersons fail to accomplish a balance between support and challenge, or fail to ensure the right boardroom culture, the CEO might disengage, trust the chairperson less and therefore seek less in the way of advice, counselling or other type of support. But the opposite also holds. The relationship between the CEO and the chairperson impacts on the chairperson's discretionary actions and choice when leading the board. For example, the chairperson might discourage challenge or allow the CEO to determine most of the agenda if he/she trusts the CEO. The following propositions can therefore be put forward:

P6: The chairperson's discretionary actions when leading the board impact on the effectiveness of the relationship between the chairperson and the CEO.

P7: The interaction/relationship between the chairperson and the CEO role has an impact on the chairperson's discretionary actions in leading the board.

How the CEO behaves in his/her role-specific domains (i.e. TMT size, composition, dynamics, strategy formulation, organisational redesign and communication and alignment) also impacts on how the chairperson behaves in his/her role-specific domains (board composition, engagement, dynamics, debate and contribution). And the converse is true. The following propositions can be advanced:

P8: The CEO's strategic behaviour influences the chairperson's behaviour in leading the board.

P9: The chairperson's discretionary actions in leading the board influence the CEO's strategic behaviour.

The model and corresponding propositions developed in this section highlight the highly interdependent and complex nature of the CEO and chairperson roles, and how these roles work to handle strategic tensions. The model also attempts to describe how tensions and responses to tensions are embedded in practice and in critical relationships, rather than being designed *a priori* by the CEO.

The next section provides a discussion of how this study meets relevant qualitative research quality criteria, and outlines measures taken by the author to enhance the study's research quality.

5.4 Evaluation of research quality

A relatively recent paper by Denzin (2009) continues to paint a dark picture for interpretivist qualitative research studies. Research quality frameworks around the world, including in the US, UK, Australia and elsewhere, continue to support a "golden rule" approach to research quality based on the positive scientific method (Denzin, 2009; Morse, 2006). The politics of evidence, say Denzin (2009) and others, has been won by positivists. The result is that qualitative researchers find it difficult to have their work valued and published, which consequently makes for a much harder road to academic tenure (Denzin, 2009).

This thesis would certainly suffer if it were to be seen through the lenses of the positivist orthodoxy of evidence, imposing on the research inadequate conventional measures of validity, generalisability and reliability (Mays and Pope, 2000). Instead, this thesis must be viewed within the interpretivist paradigm, where purpose, meaning and the research process are centre-stage (Maxwell, 2004). Although several criteria have been proposed to evaluate qualitative research quality (see, for example, Altheide and Johnson, 1994; Hammersley, 1992; Kirk and Miller, 1986), the criteria of credibility, transferability, dependability and confirmability (Guba, 1981; Lincoln and Guba, 1985) continue to form the consensual view of research quality among the qualitative research community. Table 12 summarises the steps taken in this thesis to ensure good-quality research standards.

Table 12: Research quality criteria

Quality criteria	Typical strategies	Operationalisation in this study
Credibility	• Clear and robust research design; • Supervision and counselling by an experienced researcher; • Use of triangulation techniques; • Extensive exposure to the population under study.	• The proposed research design has been laid out clearly in Chapter 3. • This thesis has been supervised by two specialists in governance and qualitative methodologies. The analysis and results interpretation has been discussed several times, allowing for reflection and calibration. • Triangulation wasn't done systematically, but instances existed where triangulation between chairperson and CEO perceptions about the same issue could be drawn out. Interviews with additional CFOs helped triangulate information obtained from CEOs. • The author has had significant engagement with CEOs and chairpersons of UK companies, by participating in additional research projects, conferences, seminars and dinners.
Transferability	• Thorough description of the participants and their relevance to the question being investigated; • Description of the general and specific contexts of the research and its results; • Reflecting on the influence of the researcher's prior understandings and the influence on the research process.	• The participants have been thoroughly described in the methodology section (age, position, experience, education and ethnicity, as well as their industry affiliation). Participants were highly appropriate for the provision of information relevant to the research question. • The research positions the study in the UK context, particularly UK listed companies' boardrooms. Furthermore, it elaborates on the particular contexts facing participants throughout the analytical process.
Dependability	• Clearly demonstrating the research options and choices throughout the study; • Demonstrating congruence between research question, method, analysis and results.	• This thesis provides a detailed narrative of the methodological choices. It is founded on social constructivist ontology and interpretivist epistemology to explore how chairpersons and CEOs respond to strategic tensions. Data collection and analysis procedures, as well as the guiding theory used, are consistent with them and with the philosophical principles that underpin the research.
Confirmability	• Reflexive analysis; • "Audit trail"; • Clearly demonstrating the research options and choices throughout the study.	• The author used reflexive analysis throughout the thesis to ensure personal bias would not interfere with research quality. • This thesis provides a high level of structure and detailed quotes from the participants' in-depth interviews, illustrating each theme, sub-theme and code. In addition, this thesis is transparent in how the themes were arrived at. It also provides a coding structure in the appendices.

Source: compiled by the author.

In this thesis a number of practices have been employed by the author to ensure the research quality criteria of credibility, transferability, dependability and confirmability were met.

The first concern was to develop a clear, robust and consistent research design (e.g. Mays and Pope, 2000). The research question, philosophical position and methods employed are consistent in their philosophical underpinning concerning the nature of reality and how to seek evidence that can explain the particular phenomena under study: *viz.* how chairpersons and CEOs respond to strategic tensions (for details see **Table 6, Chapter 3**). Research design and its execution is perhaps the single most important component of research quality, enhancing credibility, transferability, dependability and confirmability. Furthermore, credibility of the study has been enhanced by discussing – on a number of occasions, with two highly experienced researchers both in governance and in qualitative research methods (i.e. supervisors) – the ongoing analytical process and the emerging results. This inspired an increased confidence about the plausibility of the results.

The use of triangulation of source (between CEOs' and chairpersons' perceptions, and CEOs' and CFOs' perceptions, for example) allowed for further confidence about particular codes, sub-themes and themes. Sample composition is a further source of credibility, with highly experienced chairpersons and CEOs talking about their role experiences. This, along with the careful manner in which the interviews were conducted, substantiates the credibility of the data and subsequent analysis. One of the major limitations (and hence impediments to research quality) in qualitative research is the researcher's bias, which is necessarily present throughout the interpretive process. This potential pitfall was largely resolved by employing role theory as a theoretical framework within which to examine the data. In addition, the author made substantial efforts to reflect on the analysis and explore how the author's prior information and preconceptions might have affected particular outcomes. To further enhance confirmability, the author strove to ensure a logical progression in the presentation of results, providing as many quotes from respondents as possible, along with a "coding structure" and theme formation example as a means of making the process transparent to external observers.

5.5 Achievement of research aims and objectives

The research's aims and objectives set out at the beginning of this study have been largely met. The following paragraphs provide a summary.

Research aim: *to explore the nature of chairperson and CEO responses to strategic tensions.* The in-depth analysis of chairperson and CEO role experiences allowed for the identification of both individual and shared responses to strategic tensions of the role incumbents. It was possible to identify discretionary actions of both CEOs and chairpersons that are unique to their roles, as well as the interplay and mutual influence of these roles in responding to strategic tensions. The aim of this thesis has been achieved.

Research objective 1: *To determine the nature of the business contexts within which chairpersons and CEOs perceive and face strategic tensions*. The analysis of the interview data with chairpersons and CEOs revealed that contexts characterised by disruption such as economic recessions, financial crisis, technology change and regulatory change produce high levels of uncertainty, resource scarcity, complexity and poor performance. It is within these contexts that strategic tensions emerge and are perceived by role incumbents. This objective has been achieved.

Research objective 2: *To explore the nature of strategic tensions faced by chairpersons and CEOs while enacting their roles*. This thesis consistently identifies an overarching strategic tension of restructuring and growth which is perceived by both chairpersons and CEOs in contexts of high uncertainty, hostility and poor performance. Evidence of perceived strategic tensions of exploration and exploitation was also found within both chairperson and CEO roles. In addition, this thesis identifies distinct tensions faced by chairpersons and CEOs in their roles. CEOs and chairpersons were found to face similar tensions of "ensuring diversity of thinking and unity of action" in the TMT and board of directors respectively. While the tension is similar, the contexts are different: TMTs have a well-defined hierarchy and meet frequently, whereas boards are groups of distinct individuals and meet infrequently. Furthermore, some evidence was found of CEOs facing tensions between operational and strategic demands. Tensions emerge and are responded to through practice and in critical relationships such as chairperson–CEO, CEO–CFO, CEO–TMT, CEO–board: that is, tensions are the product of social interaction and are thus socially constructed, not inherent in complex systems. This objective has been achieved.

Research objective 3: *To explore the demands, constraints, supports and choices faced by chairpersons and CEOs while enacting their roles*. By applying the Demands–Constraints–Choices (DCC) model of roles to chairperson and CEO role experiences, it was possible to identify for each role specific sets of demands, constraints and supports, as well as to determine the choices (responses) to particular tensions. This objective has been achieved.

Research objective 4: *To explore chairperson and CEO responses to strategic tensions*. The analysis of the interview material using the procedures discussed in Chapter 3 allowed for the identification of CEO-specific responses (e.g. how to compose and lead the TMT; how to educate senior leadership to recognise and work through tensions; role rotation; separate efforts with the CFO to focus on different sides of tensions), as well as chairperson-specific responses to tensions (e.g. how the board agenda is constructed; how boards are composed; how meetings are conducted). Importantly, this thesis found that responses to tensions are critically shaped and influenced by the interactions between chairpersons and CEOs. It was possible to identify a set of relationship characteristics and patterns of interaction that are consequential for how tensions are handled. Specifically, the buffering role of the chairperson (i.e. both insulating the CEO from tensions as well as regulating the CEO's responses to tensions) emerged as a critical mechanism that harmonises strategy and governance, as well as providing regulation and legitimacy over how tensions are handled. Other critical interactions, in which tensions both emerge and are responded to, include the CEO–CFO relationship and dyadic work, CEO–TMT relations, and board discussion and debate. This objective has been achieved.

Research objective 5: *Propose a model of chairperson and CEO responses to strategic tensions*. The model depicted in Figure 6 in this chapter has been developed on the basis of the study's results and discussion, and attempts to explain how chairpersons and CEOs perceive and enact their roles in responding to strategic tensions. The model proposes key relationships that emerged, developing a number of propositions that can be tested in future research efforts. This objective has also been achieved.

The achievement of the research's aims and objectives means that the research question set out at the beginning of this investigation has been answered. In short, this thesis reveals the importance of dyadic work and relationships, practice and contingency in how CEOs and chairpersons respond to strategic tensions.

This section has provided an overview of how the research's aims and objectives were met. The next section examines the thesis's proposed contribution to theory and practice.

5.6 Contributions to knowledge

This thesis makes a contribution to theory and practice. On the theory side, it contributes to role theory and its application to the roles of chairperson and CEO. It offers an extended understanding of how these roles are enacted and interact, influencing each other, in organisational contexts marked by far-reaching change. It also connects with findings that challenge existing perspectives on paradox and tension. Contributions to paradox and tensions literature include: i) challenging the notion that CEOs and chairpersons perceive and frame competing demands as paradoxical, at the same time clarifying the nature of tensions; ii) highlighting the importance of dyadic work, relationships and practice in handling strategic tensions; and iii) highlighting the importance of contingency factors in determining CEOs' and chairpersons' responses to strategic tensions. This study also provides relevant insights and recommendations for practising CEOs, chairpersons and for corporate governance regulators.

The next sections will provide an expanded discussion of the contributions made by this study.

5.6.1 Contribution to theory

This thesis contributes to extant role theory and literature on paradox and tensions. The next two sections outline and discuss in more detail the nature and magnitude of these contributions.

5.6.1.1 Contribution to role theory

This thesis contributes to role theory, particular those studies that examine CEO and chairperson roles, but also on the application of the Demands–Constraints–Choices

(DCC) model (Stewart, 1967, 1982) to these particular roles in a particular context. Past studies that used the DCC model as a theoretical lens through which to examine the role and interaction of chairpersons and CEOs were conducted in different organisational settings, such as the UK National Health System (NHS) (Stewart, 1991), or in more general corporate contexts (Kakabadse, Kakabadse and Barratt, 2006). This thesis has sought to apply the DCC role framework to the roles of chairperson and CEO operating specifically in UK listed companies that were undergoing major disruptions arising from technological change, economic and financial crisis, and far-reaching regulatory change. In so doing, the thesis reveals unique features of each role in this context, revealing the demands, constraints, choices and supports as well as the patterns of interaction between chairperson and CEO. By detailing the analytical process supported by the DCC framework, this study confirms the utility of this particular framework as a tool for qualitative studies (Parry, 2003).

Table 13 provides an overview of the areas of contribution and the extent of that contribution in relation to role theory research; a discussion follows.

Table 13: Contributions to role theory

Theory/research	Contribution	Extent of contribution
Role theory (Stewart, 1967, 1982)	Interdependency of chairperson and CEO roles	The study confirms and extends understanding of the complex dynamics and nuances of this interdependence and how it impacts on role incumbents' discretionary action and choice.
Role theory (Stewart, 1967, 1982) and **Chairperson–CEO relationship/dyadic work** (e.g. Kakabadse, Kakabadse and Knyght, 2010; Stewart, 1991)	Chairperson buffering role	The study adds new insights to existing role theory focusing on chairperson and CEO roles by showing the criticality of chairperson's buffering on behalf of the CEO when the CEO is facing competing and contradictory expectations and pressures.
	Importance of dyadic work	The study confirms and extends scholarly understanding of the relevance of dyadic work/relationships in handling competing demands by role incumbents.

Source: Developed by the author.

Chairperson and CEO role interdependence. This study confirms the high degree of interdependence between the CEO and chairperson (Stewart, 1991) and the centrality of their interaction in determining role incumbents' effectiveness and important strategic outcomes (e.g. Leblanc and Gillies, 2005; Roberts, 2002). The qualities and attributes of the relationship, such as history of interaction, levels of trust, complementarity of experience and skills, the time the chairperson can devote to the role and the role incumbents' interpretation of their roles (e.g. Coombes and Wong, 2004; Kakabadse and Kakabadse, 2007; Kakabadse, Kakabadse and Barratt, 2006; Kakabadse, Kakabadse and Knyght, 2010; Stewart, 1991) were all confirmed as fundamental aspects that influence how role boundaries are shaped (Kakabadse and Kakabadse, 2007; Stewart, 1991) and the roles the chairperson can play in this relationship. Studies such as that of Kakabadse and Kakabadse (2007) found that, in the UK, the practice of role delineation is institutionalised: the chairperson leads the board and the CEO leads the enterprise. Only when it becomes obvious that the CEO is performing poorly does the chairperson become more involved (Kakabadse and Kakabadse, 2007). While this thesis finds that such a division of responsibilities tends to be the norm for UK boards, there were many instances where the traditional role boundaries diverged from normative role prescriptions and emphasised the unique contribution each role incumbent could make in helping reduce uncertainty and tackle the challenges faced by the company. This study suggests that normative role delineation is accountability-focused, whereas role delineation based on each role incumbent's contribution is problem-solving-focused. Evidence from this thesis suggests that focusing on normative role delineation during high uncertainty is a futile exercise of accountability. Yet focusing on how each role incumbent can contribute to a reduction in uncertainty (irrespective of the normative role) provides the clarity required for true accountability.

The chairperson buffering role in relation to the CEO. This study identifies a buffering role of the chairperson of the board in relation to the CEO as not only being desirable (i.e. according to CEOs in this study) but fundamentally necessary (i.e. according to chairpersons in this study) in contexts of uncertainty, resource scarcity and poor performance. Thus far, research on buffering has concentrated more on "organisational buffering", neglecting to consider that buffering may be an important governance mechanism, which both insulates the CEO from the pressure of multiple expectations and regulates the CEO's responses to them (Lynn, 2005). This study therefore makes a contribution to governance studies, particularly in looking at the chairperson role and its interplay with the CEO. Whereas past studies have identified how chairpersons play a multitude of roles in relation to the CEO – such as partner, executive, mentor and consultant (Stewart, 1991) – this study has clearly identified the buffering role as central. How this buffering role co-exists with other roles is not clear. It may be that chairpersons insulate the CEO by taking some executive responsibility, or partner with the CEO, or regulate CEO responses (i.e. cognitive and emotional) through advice and mentoring.

The identification of the chairperson's role as a buffer to the CEO in this study is made in contexts of uncertainty and resource scarcity where CEOs were attempting to move the firm to acceptable levels of performance. In such contexts, CEOs emerge as expectation managers, in agreement with Tengblad's (2004) study of Swedish CEOs. Yet Tengblad's study, and other studies depicting the role of the CEO as a buffer (e.g. Mintzberg, 2009), may have missed the point that the managing of multiple expectations by the CEO is not carried out on a solitary basis, but is heavily interdependent (at least in governance regimes where role separation exists) with the buffering role of the chairperson. How well the CEO succeeds in managing multiple and often contradictory expectations may be rooted in how effective the chairperson is at buffering. The chairperson's buffering role has been mostly invisible to researchers, especially those who study the boardroom using quantitative techniques. Studies have found that role separation matters little in reducing or regulating managerial entrenchment, risk-taking and executive compensation levels (Krause, Semadeni and Cannella, 2013), while others have found that role separation can improve performance in underperforming firms (Grinstein and Valles, 2008). This study finds that CEOs' management of multiple expectations in contexts of uncertainty, resource scarcity and poor firm performance, including how they balance short- and long-term performance, risk-taking, and pace and direction of change, is dependent on the effectiveness of the chairperson's buffering, not just the mere separation of roles. This is in keeping with research that argues that what matters is how the separation is arrived at and how these key roles influence each other in determining important strategic outcomes (e.g. Leblanc, 2004). This study further identifies chairperson independence (of judgement and behaviour) and experience (of the nature of expectations and tensions facing the CEO) as critical characteristics for effective role fulfilment, despite the fact that they are difficult to embody simultaneously (Leblanc, 2004).

The importance of dyadic work and relationships. A further contribution made by this thesis is the finding that dyadic work and relationships are fundamental mechanisms by which CEOs handle competing strategic demands. In part, this has been already shown in how CEOs and chairpersons influence each other in determining important strategic outcomes regarding long- and short-term performance, risk, and pace and scale of change. But this thesis shows that other important dyadic relationships and work – such as between the CEO and the CFO, or even between the CEO and COO – are also critical for CEOs in handling competing strategic demands. In some instances, the CEO emerged as a third person acting to harmonise dyadic work between other key top team roles (for example, R&D and commercial) through dialogue and team-building practices aiming at producing behavioural integration.

5.6.1.2 Contribution to paradox theory

This thesis also makes a number of contributions to, and has implications for, paradox theory. The study of CEO and chairperson roles in contexts of far-reaching change and resource scarcity – which are said to be favourable to the emergence of paradoxes and tensions (Lewis and Smith, 2014; Smith and Lewis, 2011) – revealed important evidence relating to: i) the nature of strategic tensions and chairpersons' and CEOs' perceptions of tensions; ii) dyadic work, relationships and practice as source of tensions as well as a mechanism for dynamically working though tensions; and iii) the dominance of a contingency mind-set within both CEOs' and chairpersons' behaviour.

Table 14 provides an overview of these areas of contribution and the extent of the contribution; a discussion follows.

Table 14: Contributions to paradox theory

Theory	Contribution	Extent of contribution
Paradox theory (e.g. Fredberg, 2014; Putnam, Fairhurst and Banghart, 2016; Schad et al., 2016)	Nature of tensions Chairpersons' and CEOs' perceptions of tensions	This study adds to the debate about the nature of tensions by showing that they are socially constructed as opposed to cognitive or inherent in organisational systems. Furthermore, this research finds that CEOs and chairpersons in the study do not perceive and/or frame tensions as paradoxical (with all the implications that this finding brings), adding to research that sees paradox as an elusive concept.
Constitutive and processual approaches to paradox and tension (Putnam, Fairhurst and Banghart, 2016; Schad et al., 2016)	The importance of dyadic work, relationships and practice in the emergence and response to tensions	This thesis adds and extends understanding of scholarly work that views tensions (and paradoxes) and their handling as processual and embedded in relationships. Consistent with the finding that tensions are socially constructed, this thesis finds that tensions emerge and, importantly, are handled within dyadic relationships (i.e. chairperson–CEO, CEO–CFO, etc.).
Contingency/ strategic choice theories (Child, 1972, 1997; Galbraith, 1973; Lawrence and Lorsch, 1967)	The dominance of a contingency/strategic choice perspective on CEO and chairperson role behaviour and choice	This study adds to the ongoing debate between paradox scholars and contingency studies, by showing the predominance of a contingency logic in CEO and chairperson choice and practice.

Source: Developed by the author.

Nature of strategic tensions/CEOs' and chairpersons' perceptions of tensions. There is an ongoing ontological tension debate in paradox and tensions theory as to whether paradox and tension are cognitively and socially constructed or inherent in complex organisational systems (Lewis and Smith, 2014; Smith and Lewis, 2011). Earlier scholars defined paradoxical tensions as *"perceptual – that is, cognitive or socially constructed polarities that mask the simultaneity of conflicting truths"* (Lewis, 2000:761).

The current most accepted definition does not specify an ontological position, preferring instead a broad definition capable of including both cognitive and social construction, as well as an objective nature of tensions as inherent in complex organisational systems (Smith and Lewis, 2011). Even those theorists that have asserted a cognitive and socially constructed nature for paradox and tension have come to recognise the implications such a position has in relation to responses to paradox and tension: *"Paradox is a mental construction and therefore can be mentally dissolved and paradox is inherent in all social life and therefore cannot be dissolved – just lived!"* (Lüscher, Lewis and Ingram, 2006:499). In this thesis, evidence points to the nature of tensions as socially constructed and inherent in social interactions. Claims that CEOs and chairpersons perceive and frame (cognitively) tensions as paradoxical have received no empirical support. This thesis shows instead that CEOs and chairpersons perceive strategic competing demands as challenging and difficult to handle (for example, restructuring and growth, or exploration and exploitation), but nowhere in the CEO and chairperson narratives were these construed as paradoxical. This finding agrees with recent findings by other scholars and practitioners (Fredberg, 2014; Johnson, 2014). However, this thesis shows that strategic tensions only become meaningful and consequential through social interaction. Strong evidence emerged to show that the relationships between different key roles (such as between chairperson and CEO, CEO and CFO) and other social exchanges (between CEO and TMT, or between CEO and the board) are the places where tensions emerge and gain meaning, and where responses are co-developed and become consequential. These findings indicate that the phenomena of interest in the study of strategic tensions (and perhaps of paradox) lie not so much in individual cognition, or in the macro-organisational system, but rather in dyadic and group relationships and everyday practice. Only very recently, paradox scholars began to recognise the importance of relationships and practice to the formation and handling of tensions. According to Putnam, Fairhurst and Banghart (2016), research on paradox and tensions has paid substantial attention to large systems and individual cognition as the locus of paradox, but very little on *"discourses, social interaction processes, practices and ongoing organisational activities"* (p. 67). This thesis contributes to this emerging line of research on paradox and tension, providing strong evidence for the relevance of relationships, dyadic work and practices as critical phenomena in explaining how tensions emerge and are continuously handled by relevant organisational actors.

The importance of dyadic work, relationships and practice in the emergence and response to tensions. This thesis also brings to the fore the importance of dyadic work, relationships and practice to the emergence and handling of strategic tensions, as already discussed above. This has only recently been acknowledged by paradox and tension theorists (Schad et al., 2016; Putnam, Fairhurst and Banghart, 2016). Most work on responses to strategic tensions and paradoxes has identified the CEO as central in handling tensions, often assigning the CEO an integrator role (Smith, 2014; Smith and Tushman, 2005; Tushman, Smith and Binns, 2011). While this thesis finds the CEO performing this role of integrator" and harmoniser of tensions among the TMT members, this thesis identifies critical relationships and dyadic work between the CEO and chairperson, as well as between the CEO and the CFO, as both the locus of tension as well as the mechanism that allows a workable certainty (Lüscher and Lewis, 2008) and a moving-forward (Putnam, Fairhurst and Banghart, 2016) through practice. Practice in turn generates further tensions which can only be handled in relationships such as those between the CEO and the chairperson or the CEO and the CFO. One example of how practice that seeks to create a balance within one tension has the potential to generate other tensions relates to how some CEOs were found to compose their top team. CEOs seek to bring new perspectives and skills from outside the company, while also retaining and promoting existing executives to the top team. This allows fresh strategic thinking and yet the retention of important firm-specific knowledge which is important for strategy implementation. CEOs do this arguably to reap the benefits of both continuity and change. Such choice, which has a pragmatic rationale and is intended to support successful strategy development and implementation, may bring about tensions of belonging between those already in the team and the new elements, or tensions about which of the firm's resources are providing competitive advantage, and so on. As practice and relationships are critical in handling tensions, this thesis concurs with Putnam, Fairhurst and Banghart (2016) when they argue that a constitutive approach requires a recognition that every response to tension is rooted in praxis, where individuals *"make choices about engaging and responding to them as well as how to move forward amid complex circumstances"* (p. 80). Such a view of paradox and tensions requires responses that stress moving forward, reflexivity and awareness in terms of discursive consciousness and recognition of actions/interactions that generate tension (Putnam, Fairhurst and Banghart, 2016).

The dominance of a contingency/strategic choice perspective within CEO and chairperson role behaviour and choice. Despite claims that paradox and tensions theory is a post-contingentialist theory of organisation (Lewis and Smith, 2014), this thesis finds no evidence that CEOs and chairpersons behave and make choices supported by a *"paradoxical mind-set"* (Smith and Tushman, 2005). Rather, CEOs and chairpersons make choices and enact practices that are contingent on perceived environmental conditions such as the degree of uncertainty, whether competitive advantage has been disrupted or whether an urgent response is required. How the environment is perceived, along with the challenges that beset the organisation, is shown to influence how both

CEOs and chairpersons enact their roles in practice and make choices: how the CEO composes the TMT, the relative balance between centralisation and decentralisation of decision-making, boundary management between the CEO and chairperson, how the chairperson composes the board, or how the chairperson handles board meetings by balancing challenge and support. To give another example: whether CEOs enact restructuring and growth simultaneously or sequentially depends critically on whether environmental conditions are seen to have disrupted competitive advantage and the perceived degree of urgency in developing a response.

5.6.2 Contribution to practice

This thesis explores a question that is of central concern for practising chairpersons, CEOs and for regulatory bodies. Its results and insights can be of practical value in improving the overall effectiveness of board governance, particularly in the UK.

The findings in this thesis concur with literature (Kakabadse and Kakabadse, 2007; Kakabadse, Kakabadse and Barratt, 2006; Leblanc and Gillies, 2005; Levrau and Van den Berghe, 2013) and with the UK Corporate Governance Code (Financial Reporting Council, 2016), in that the relationship between the chairperson and CEO is pivotal to the effectiveness of the totality of the governance system. In particular, research and regulation has been advocating for a clear division of roles and responsibilities between the chairperson and the CEO, often differentiating these roles by their nature (non-executive versus executive) and primary task (governance versus strategy) (Financial Reporting Council, 2016). In fact, the UK regulator goes as far as to recommend that such division of responsibilities be *"set out in writing and agreed by the board"* (Financial Reporting Council, 2016). This thesis finds that the division of tasks and responsibilities between the chairperson and the CEO needs to be flexible and applied subject to circumstances, depending on the context, the particular challenges and tensions facing the company as well as on role incumbents' ability (skills, experience, relationships) in meeting such challenges. This is particularly true in contexts of high uncertainty and fast decline where the focus must be on solving the problem(s) afflicting the firm, rather than on remaining fixed within prescribed arrangements which may simply end up serving as nothing more than a defence for role incumbents in avoiding true shared accountability and stewardship of the company. In summary, it is found that rigid written responsibilities may hamper adequate separation of efforts to effectively face particular strategic tensions and challenges facing the company. This is an area that deserves consideration by regulators, practising chairpersons, CEOs and other players.

A second contribution to practice relates to the chairperson role. While much research, as well as common wisdom, has established challenge, advice, mentoring and partnership as typical roles the chairperson plays in relation to the CEO (e.g. Stewart, 1991), this thesis finds that the more fundamental role of buffering is often performed by chairpersons, particularly where there are multiple divergent expectations of CEO behaviour from critical stakeholders such as NEDs, shareholders, investors and analysts. The chairperson's buffering role requires independence of judgement and behaviour, as well as an in-depth understanding of the industry's stakeholders and the tensions likely to arise (Leblanc, 2004). It may be of value for practising chairpersons to reflect on the inherent processes of insulation and regulation referred to in this thesis, and develop their practice further. These processes may be key in ensuring ongoing alignment and engagement among critical stakeholders such as the board, shareholders, investors and analysts. This buffering role appears to be critical in influencing and shaping important strategic outcomes such as strategic direction (purpose, competitive advantage and unique capabilities), pace and scale of change, short-/long-term orientation, and risk-taking. In addition, this thesis uncovers a number of practices that chairpersons employ to ensure the board is effective in addressing strategic tensions facing the company. Such practices start with ensuring cognitive diversity in the way the board is composed. This equips the board with a variety of resources that increase the probability of identifying, raising, confronting and finding novel ways to work through strategic tensions. To harness this potential, chairpersons seek to establish a culture of engagement. On the one hand, NEDs are encouraged to visit the business and collect independent information; on the other, the CEO is persuaded to bring to the board information of the right quality at the right level of detail and in a timely manner, which allows NEDs to track management thinking before there is too much detail or too much commitment has been made. Further, chairpersons ensure that tension-generating topics are on the board agenda and have specific policies for committee meetings that encourage the participation of all board members. While chairpersons build their boards with regard to cognitive diversity and independence, they then face the difficult task of conducting meetings so as to make the most of the diversity and cognitive conflict while achieving meaningful consensus and unity of action. All these practices converge to enable the board to be effective in identifying, raising and debating strategic tensions facing the business, while generating their own specific tensions. Every chairperson practice conceals the potential to generate other tensions, while also contributing to the handling of strategic tensions. For example, encouraging NEDs to visit operations, ask questions and seek independent external information away from the management feeding process has the potential to contribute to better scrutiny and more strategic options being presented, while this may also potentially raise issues of trust, raise the CEO's defences and undermine debate. Hence, carrying out well-intended practices might not be enough. Chairpersons need to be constantly aware and reflect on (Putnman, Fairhurst and Banghart, 2016) how these practices are helping to address tensions as well as creating them. In this sense, this study recommends the continuation and strengthening of board evaluation practices that recognise the effects of practice in handling as well as creating tensions.

Practising and aspiring CEOs may also benefit from the insights provided in this study. Critically, it identifies a number of “good practices” that enable CEOs facing strategic tensions in difficult environments to increase their chances of being effective. Such practices include building the top team in such a way that allows the requisite variety needed to attend to changes in the environment, while ensuring high levels of trust and cohesion among team members; in addition, when composing the top team CEOs may want to ensure both continuity and change, and internal and external perspectives, by retaining and promoting from within while recruiting fresh members from outside. Further, CEOs that are facing extraordinarily difficult environments need to resist the temptation of too much centralised decision-making, and consider the power of delegation and trust in contexts where the speed of response is often critical. In compositing and leading the top team, CEOs may also want to consider selecting a CFO with whom a productive and complementary relationship can be established. In strategy formulation activities, it was shown that CEOs must pay attention to: i) deciding whether to conceive a new business purpose; ii) determining where the firm’s competitive advantage lies, as well as its unique capabilities; and iii) determining the pace and scale of strategic change.

5.7 Research limitations

This thesis – as with most, if not all, work in the social science domain – is not without limitations. The nature of the methods followed, and questions concerning the transferability of the results and conclusions arrived at, constitute the two fundamental areas of limitation in this study.

The research was conducted in the full knowledge that its results and conclusions are valid only within the context of UK listed company boards, where a separation between the roles of chairperson and CEO exists. Additionally, the very large size and global nature of most organisations considered in this sample certainly have a bearing on the nature of the CEOs' and chairpersons' roles and the demands, expectations, constraints and supports perceived by role incumbents. The sample was not constructed to test whether CEOs' and chairpersons' roles and handling of strategic tensions would vary across sectors. While the focus was on the individual roles, the sample had a spread of sectors from which no significant differences emerged. However, future studies might be conducted in a sector-specific fashion, perhaps between financial and non-financial corporations, between high-tech and low-tech or between manufacturing and service. In other contexts, influenced by different sets of regulations, and social and cultural norms, the way in which chairpersons and CEOs interpret and enact their roles is certainly subject to a variety of different constraints and expectations. Such contextual differences undoubtedly have an impact on how role incumbents behave, the extent of particular expectations of their behaviour, which practices they follow and, critically, how they interact with others. It is therefore assumed that the context-bounded nature of this interpretative, exploratory research confers transferability only within the same context, although some elements might be applicable in different contexts, subject to the necessary adaptations. In addition, as already mentioned in **Section 3.7.2**, the sample characteristics, albeit representative of the context, are quite homogeneous in terms of gender, age, ethnicity, qualifications and experience. This homogeneity might explain some of the observed patterns of how individuals interpret and enact their roles and how they interact.

Nevertheless, the robust research design provides some protection against these limitations and allows researchers to follow procedures that will enable them to replicate the study in a different context, thereby testing which results hold and which ones vary.

A second limitation of this study – although measures were taken to reduce it to a minimum (see **Section 5.4 in this chapter**) – is the subjective, interpretive nature of the research. It is fully acknowledged that the outputs of this research have been influenced at every stage of the execution by the author's preconceptions, experiences, values and relationships with participants. The remedies employed cannot claim to eliminate all researcher-induced bias. But, in keeping with Lincoln and Guba's (1985) calls for trustworthiness and credibility in qualitative research, the author has made all efforts to remain sincere and preserve the integrity of the research and the informants, while striving to produce research based on evidence the results and conclusions of which merit credibility among both the research and practice communities.

5.8 Further research

This thesis uncovered substantial new questions that warrant future research – and this is perhaps the greatest value of exploratory, qualitative research designs.

A first opportunity for future research is the testing and refinement of the model and corresponding propositions that emerged from this study. Such testing could be done in both similar and different contexts to extend its applicability.

From a paradox and tensions perspective, a number of research opportunities have emerged. This thesis's findings indicate that CEOs and chairpersons do not frame strategic tensions as paradoxical. However, for the sake of the following argument, let us for a moment assume that strategic tensions *are* perceived as paradoxical. One of the main questions that still pervades paradox theory is that of which paradoxes emerge first and how they interrelate and co-evolve. Schad et al. (2016:39) only recently raised the following question: *"To what degree do performing paradoxes (strategic priorities that reflect competing demands) reinforce or mitigate organizing paradoxes (practices for control and flexibility) fueled by their implementation?"* This thesis finds this question highly relevant. The results in this thesis suggest that, for higher-level roles such as those of CEO and chairperson, performing paradoxes may be the first consideration which in turn leads to the consideration of structures that are able to accommodate competing strategic demands. Top roles, particularly that of CEO, are highly incentivised into achieving particular results: that is, they are incentivised for performance (Fredberg, 2014; Waldman and Bowen, 2016). This is to say that organising paradoxes and tensions follow performing paradoxes and tensions. This is not dissimilar to the old contingency theory adage that "structure follows strategy" (Chandler, 1962). More research is necessary on how strategic performing tensions and organising tensions interrelate and evolve.

A further aspect much overlooked by extant literature on paradox and tensions is again a contingency question applied to paradox theory. The need to create a distinction from other seemingly competing theories has led paradox scholars to neglect the value of integrating contingency and paradox considerations. Only recently have scholars (Schad et al., 2016; Putnam, Fairhurst and Banghart, 2016) begun to appreciate the synergies between paradox and contingency. One insight from this thesis is that, instead of assuming that when paradox is present leadership has to engage a "both–and" approach, a better question seems to be: under which conditions is a "both–and" approach desirable or even possible? For example, this thesis finds some CEOs undergoing turnaround strategies, engaging in retrenchment and recovery sequentially, while others pursue both simultaneously. Rather than claiming that CEOs who do both–and somehow have a superior “paradoxical mind-set”, there appear to be more practical reasons – such as severe resource constraints, velocity of decline, board or shareholder opposition, unsupportive and/or ineffective chairperson, legacy structures – that mitigate against or even prevent CEOs from using dual strategies. Understanding the interplay between role constraints and choices in everyday practice is a good starting point in uncovering the nature as well as the contingencies that influence responses to tensions. This also moves the debate away from research that sees tensions and paradoxes as discrete entities, against which well-designed effective responses can be formulated. New approaches such as the constitutive and processual approach (e.g. Hargrave and van de Ven, 2016; Putnam, Fairhurst and Banghart, 2016; Schad et al., 2016) to paradox and tension appear more promising and closer to what has been uncovered in this thesis. In particular, there is a lot of research potential into how tensions emerge and are handled within dyadic relationships such as the one between chairperson and CEO, CEO and CFO, or even between CEO and COO. While some research, including this thesis, has investigated the dynamic interplay, division of tasks and responsibilities and mutual influence between CEOs and chairpersons, much less work has been done on the CEO–CFO dyad (but see Han, Zhang and Han, 2015). In this thesis, how efforts are separated and integrated between these key roles emerged as a critical factor in weathering the strategic tension of restructuring and growth. The findings pointing to the criticality of the chairperson’s buffering role in relation to the CEO through processes of insulation and regulation (Lynn, 2005) also deserve further investigation. Also requiring more attention is: how and under what circumstances does the chairperson choose to insulate the CEO from the expectations of significant others (i.e. shareholders, investors, analysts, NEDs) or regulate the CEO’s responses to such (often contradictory) expectations. It appears that this “buffering function” is critical in enabling CEOs to hold tensions at the top (e.g. Tushman, Smith and Binns, 2011) without losing legitimacy or risking penalties from powerful stakeholders. It also appears to be important in regulating CEOs’ risk-taking, optimism and other emotional aspects, and in preventing excessive conformance with particular expectations. A wider opportunity is therefore identified to bring together research on organisational buffering and paradox and tension. Paradox scholars would agree with minimalist organisational buffering paradigms which state that buffering activities and mechanisms should be kept to a minimum (e.g. Bourgeois, 1981; Child, 1972; Porter, 1990), because limiting the exposure of the firm to the environment leads to maladaptation, reduced co-optation and resources, and disequilibrium (Child and McGrath, 2001; Sherman and Schultz, 1998; Zimmerman, 1993). In this sense, buffering reduces the exposure of organisational agents to the tensions, contradictions and paradoxes that arise in confronting the external environment, and which are fundamental to sustainability, innovation and ongoing adaptability (e.g. Smith and Lewis, 2011). Tensions may remain “artificially” latent and therefore go unnoticed or not addressed in an effective manner. From this perspective, paradox scholars ought to be proponent of minimalist buffering, or of no buffering at all. Even social buffering, which could describe the chairperson buffering role in relation to the CEO as observed in this thesis, was found to lead to dependency and ultimately powerlessness (Conger and Kanungo, 1988). However, such buffering paradigms tend to stress the insulating side of buffering, while ignoring buffering’s regulating mechanisms. CEOs and chairpersons find the role of buffering in the context of the board a critical one in handling competing and contradictory expectations from a variety of powerful stakeholders. Instead of assuming all tensions are “good”, insulation and regulation processes (buffering) could be more of a selective mechanism whereby “good” tensions would be allowed in, and “bad” tensions would be regulated or prevented from entering the organisational system. Future research might investigate contingency factors that act to moderate the chairperson's buffering role. Perhaps this role varies according to ownership type or dispersion/concentration of capital and types of investors? Further, in governance regimes where CEO and chairperson roles are held by the same individual, how do CEOs go about aligning and reconciling multiple and contradictory expectations? Are there alternative buffers? Are there greater or different tensions?

Many of the research opportunities outlined above involve an investigation of the everyday practice and critical dyadic relationships within the organisational system to reveal how tensions are formed, (co-)evolve and are handled. This may be best served by longitudinal research designs, case study research and observational techniques.

5.9 Personal reflection

The last four or so years have been immensely gratifying. At a personal level, it has been an excellent growth opportunity. The PhD journey has conferred on me a much greater self-awareness and understanding of my strengths, weaknesses, ambitions and limits. It has also helped me identify a future direction, one that is more aligned to my true self, and one in which I can be fulfilled as an individual and offer my best contribution. It is now clear to me that my future lies within the academic community. My contribution to the world will be through research and teaching: to play a role and have a voice, however small, that scrutinises and supports today's leaders and helps develop those of tomorrow; and to aim to positively influence policy-making for a better world by means of research. Realising this has been liberating. But I am starting with the end (at least thus far) of the story.

The experience of writing this PhD has been beset with tensions. Of course, I am not referring here to the tensions discussed in my thesis – those of CEOs and chairpersons – but rather those facing PhD students. I'd like to highlight two in particular. One is a change of ontological and epistemological perspectives. All my experiences prior to this PhD had equipped me to look at the world as an objective reality, developing a mind-set and providing the tools to measure it and find solutions to (often apparently) discrete and relatively prosaic problems. The PhD process over these last years has made me confront my assumed paradigms and "views of reality" and this was not a stress-free activity. It has taken time to truly understand and apply different ontological and epistemological positions, often finding in myself contradictions between intention and behaviour. It is not easy to break from entrenched mental frames. Constructivist and interpretivist positions – despite criticisms of subjectivity – are the more robust positions from which to start social inquiry. This is because human behaviour – of chairpersons, CEOs or others – is often nuanced, complex and surprising, and can often be explained only by the idiosyncrasies of individuality and context, both present and historical. As a consequence of appreciating the complexity of individual and collective behaviour, I became more critical of research that I might have commended only a few years ago. More importantly, I began to change my personal world-view. I believe I increasingly began to appreciate context and this led me to become increasingly less judgemental, and possibly more inclusive and open to difference than I was before. I feel very fortunate that I was able to conduct an exploratory qualitative study while I was making this mental journey. Inspecting phenomena by interrogating the actors that are close to them stimulates many different ideas, areas of inquiry, and practical as well as theoretical issues across the particular field of study. I suspect that a more quantitative approach would have considerably limited my understanding of corporate governance and its many nuances.

The second tension I experienced is one between industry and academia, which takes me back to the beginning of this reflection. For a long time during the PhD process, I was unsure about whether I wanted to return to a career in industry or to embrace a new one in academia. On the one hand, I was disenchanted with industry. I didn't feel that it provided me with purpose and meaning, or with enough freedom to make anything more than small contributions, often within the boundaries of the firm I worked for. Yet academia has always exerted a strong attraction. In comparison to industry, there is a potential to inspire more people through research and teaching, and even to influence policy at a more macro level. Nonetheless, the tensions inherent in writing a PhD often led to anxious self-reflection: will I ever be any good at research? Today I feel strongly that I can make a meaningful contribution. From a personal perspective, I think that the success of this PhD can be measured by answering this question: Do I feel capable of independently designing and conducting good-quality research that is meaningful, rigorous and impactful? I can now confidently answer that question in the affirmative. Of course, I have still much to learn, and if I could go back I would probably do many things differently in the way I conducted my PhD, but the reality is that I feel the learning process is more important than the tangible outcome. I don't believe one can evaluate the full impact of the PhD journey without some distance. So I will probably only fully appreciate it in some months' time.

5.10 Chapter summary

This chapter has brought this thesis to a conclusion. It is hoped that the contributions made can serve to extend researchers' knowledge in the areas of board directors and strategic tensions, as well as helping practitioners reflect on their everyday practice. The author will of course continue his journey: pursuing some of the questions left answered by this research, seeking new ventures and new, exciting research projects that can bring about a positive impact on business and society.

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Appendixes

Appendix 1: Research Invite Letter

The University of Reading
Henley Business School
Rm EH 500, Greenlands
Henley-on-Thames
Oxfordshire, RG9 3AU, UK
f.m.a.morais@pgr.reading.ac.uk

Day, Month, Year

Name of Participant, Esq.

Invitation to participate in Doctoral Research

Dear *Name of Participant*,

My name is Filipe Morais, and I am a doctoral student at Henley Business School, University of Reading, UK. My research is supervised by Professor Nada Kakabadse and Professor Andrew Kakabadse and your contact was facilitated by Alvarez and Marsall with whom we are conducting a research into how boards handle complex and discontinuous business challenges.

I would like to invite you to participate in my doctoral research programme into how chairpersons and CEOs respond to strategic tensions whilst fulfilling their role. These tensions often arise in periods of change, crisis but can also arise in 'normal times'. How board directors respond and deal with tensions inside the boardroom may ultimately mean the difference between success and failure for themselves and for the companies they serve. As such I would like to explore the nature of tensions that you have faced whilst fulfilling chairperson and/or CEO roles during your career.

As a senior business leader, I greatly appreciate your involvement and insight. Your involvement would be under the form of a face-to-face interview at a place and time to be agreed, subject to your availability.

As a preparation for the interview I would like you to reflect on particular events of your career where you experienced tension inside the boardroom. These tensions may include competing demands, constraints to action or interpersonal tensions, or indeed anything that you have experienced as tension.

In particular, I would like you to focus on the role of executive and board leadership in managing or resolving these tensions, and the interaction between executives and non-executives. Please think of examples of tensions that were effectively handled, and those that were not so effective.

Research material will be anonymous and confidential, subject to the strict ethical guidelines of the University of Reading, Henley Business School.

I will of course circulate research findings with all participants which may provide useful insight for boardroom effectiveness going forward.

I hope you can positively respond to my invitation.
Many thanks

Yours sincerely

(*Signature*)

Filipe Morais

Appendix 2: Interview Guide

The following themes have guided the inquiry process during the interviews:

- the general and specific contexts under which director's fulfil their roles
- the constraints, opportunities and choices made available to the director whilst fulfilling his role
- the nature of the (paradoxical) tensions faced by directors
- the role expectations and social dynamics experienced inside the boardroom
- the leadership and skills utilised to navigate through tensions
- the behavioural, emotional or otherwise, responses employed by directors to deal with tensions

The interview protocol used in this study in conjunction with the audit trail provided in appendix four (N-Vivo Structure) and the Demands-Constraints-Choices (DCC) (Stewart, 1982) lenses from which to analyse interview data are important cornerstones in ensuring future replicability of this study.

Appendix 3: Example of an Interview Transcript

Interview Date: 25.06.2015

Transcribed: 29.06.2015

Interviewee: Mr. X (Chairman, Company Y) (Code: Chaiperson XX)

Well, X, thank you very much for taking time from your schedule to just seeing me for this research.

OK.

And where are you starting?

Starting really, well, slightly before you started as Chairman. I think it was October 2011. So Company Y was already in pretty bad shape by then I suppose. So I think, I guess my first question would be what was the trigger for you to arrive and come here and start as Chairman? What was your mandate there? And what were your first concerns as you arrived?

Yeah. Well, I think the trigger was that they needed somebody because there was a feeling among the colleague Board members that the Board wasn't really looking at the right things and that started with the Chairman, a good Chairman probably for some period of time but at the end of that period the colleagues felt that a new chairman was needed to have a look at the company. They first looked at some individuals in the UK, then the search was extended to, hey, but we are an international company so let's look internationally, and then for some reason they picked me. Why did I pick them? I picked Company Y basically because of the strong brand name. I've, if I say what I'm strong at it's building brands and building people and I felt that what was needed here was really exploit that brand name. And secondly in terms maybe not so much building people but making sure it was one company. When I did my look, my search into it there was, there were really two concerning things. One was the business, the way it was evolving, or three things, the way it was evolving although there was at that point in time not an awareness that it was going to go so drastic to 21st November. But there was a concern that the business was not doing the way that it should be doing. The second is, well, my finding was this was not a company, this was a silo edition of three different companies, one in Scandinavia, one in the UK and one in Germany. And when I asked the question as to, don't you guys believe in best practices they all said yes, I do as long as they take mine. But there was no desire to have one unity in there. And the third concern was a high financial leverage of the company, but the desire to do something about it, want it, I mean you could say, hey, then don't take the risk. I did take the risk and in fact the day that I came here was the day that the CEO was asked to leave and so the interim CEO got here. Then came 21st November which was the shock as to this company is going to stop existing.

And then those were the three concerns and what were your first actions there then?
Well, the first action, well, after having become Chairman of the Board was really to make some changes to the Board and we, I think there were out of the Board members two left immediately and two other ones left shortly thereafter. That gave a clear signal also to the inside and to the outside world as to changes starting from the top and we started recruiting new Board members, having a clear picture of what are the views, what are the qualities, what are the skills that we need in order to complement. I think the Board members were more chosen as to what's a nice name as to what can they contribute to the business. So that was the first one which was change the Board. That happened rather quickly, rather efficiently, good work by headhunter company to do that, install the interim CEO, gave him the support. The interim CEO had some, then reached out to some excellent financial people outside to make sure that the company stayed alive. That was 21st, 22nd, 23rd November. There is a small anecdote there which shows you how strong this company in terms of marketing is. During that weekend of, that first weekend there was of course a risk that this company which is built on trust because people give you the money for the six months in advance most of the time and some, there were some competitive action as to trust us rather than somebody else. That was the weekend where the hard core of Company Y massively went to the store and said, we don't let this British institution go bankrupt and we had more bookings than previous weekends during that weekend. It tells you something about the strength of the brand and what it is. But so changed the Board, gave support to the interim CEO and then start looking for a new management team. And then that new management team eventually happened with [CFO name] first and [new CEO name] second. And I think it's excellent that it came that way. If I look back as to what's the success of the transformation I think it's the fact that you have three people that have unique strengths that work together. You have [CFO name] that understands as nobody else how the financial markets and the banking and the opportunities work, and without the CFO it would not have worked. You have [new CEO name] who had a drive, a dynamism, a charisma that installed the desire for effective change and also, yeah, exposed that to the outside world as to, yeah, we believe her, she

delivers. That meant a psychological change in the troops. And then you had [COO name] who knew how to run this goddamned business because all the other ones were not coming from the travel industry. I have no travel industry background. [new CEO name] did not. The CFO a little bit, but basically not. But so that to me is the success of the transformation. It's unique. None of those three could have done it individually and none of those three should claim that they have done it. But each of them really worked together, those. That's the essence of the transformation. So I was lucky that [CFO name] joined first. I don't think that [new CEO name] would have picked [CFO name] but she worked, they worked perfectly together in that one. And it tells you probably something as to don't necessarily let, they always say let your CEO pick the CFO. I'm not sure whether that's good advice because depending on how the CEO is he or she may want to pick somebody that listens to him or her whereas here in this case we had a very complementary, sometimes conflicting but in the positive word of conflicting, model where [CFO name] would say, hey, but here is the financial requirement. And to be frank in that first two years the alive or dead scenario was basically a financial scenario and [new CEO name] was making sure that the investment community, the outside world, believed the story and that inside there was a dynamism. She brought in a lot of new people, she brought in also the vision of technology and that everybody said, oh, Company Y is no longer in the 19^{th} century. But then instead of just saying it's new technology we had this combination of technology and people and that ultimately became the unique way of weaving it. High tech, high touch is really what makes us unique. We are not a high tech company and we're no longer a just touch company. It's high tech, high touch. So got CFO first and [CFO name] came in in May 2012 and then at that point in time I had already got contact with [new CEO name]. And the [new CEO name] recruitment is an interesting anecdote in the sense that in my philosophy I've always said to any headhunter give me the best women and the best men that you have and I'll make the judgement whoever can do it. So the executive search company came with a list of 12 men only and I said, that's not exactly what I asked for. I said, give me, yeah, but there are no females that can really do this job. I said, there must be. So the next meeting they had a list of about three female candidates and [new CEO name] had sent me a letter saying, I can do the job. So I told the executive company, put her in your basket and then we'll evaluate her together with the others. And as it turned out in the end there were, we had four candidates left, two, two, and in the real end, end we had [new CEO name] on one side and I had a male candidate on the other side. I think both could have, both had similar qualities, both could have done it. The big advantage of [new CEO name] next to the fact that she knew technology but the other individual had that technology drive as well she was British. And this company is still based in London with [COO name] not being a Brit, me not being a Brit there was an, I saw an advantage of somebody that is anchored in the establishment in London that was next to the, I didn't know that much about her drive at that point in time, that's something that you discover later. I knew, I could see and know about the combination that what she had done in terms of technology and about building businesses but the fact that she was British made then the decision over the other candidate who was a Benelux candidate. And it was probably a bit too much of, having a Benelux Chairman and a Benelux CEO that would be too much of a coup and would not be the right thing to do. So she joined. She joined at, when the, we have had consecutive financial restructuring so we had really the saving which was 21st November and then in April, then in May, June we had the real first restructuring and that was kind of a condition for [new CEO name] and I think for anybody to say, I'm not going to join unless you guys have your financial structuring at least as a base right. That base was right and then she joined end July 2012. I'll stop here and then you can fill in or go on.

Yes. There's one thing. So you had to change the Board, going back a little bit. What were exactly the skills you brought here? So for instance financial savvy, was there a digital understanding or technology or?

There were all of those, but different ones. I mean I had a skillset which is I need somebody that really understands. I had somebody onboard with [SID name] who was the senior independent who really understood the business. He had been with companies in the travel industry before, but I needed somebody that understood the consumer, somebody from the financial side. I had [Director name] and she was here, and then I wanted to have somebody oddly enough that understood the destination and so [Director name] from Turkey, that's the rationale for having him onboard, because we said we send, our 20 million customers we send them to a destination but how do the destinations make optimum use of that one and come there. So we had a different set of skills that we had been looking for and that we set out with the executive search company as to that's what we have. And again with the … I said I want to see the best female and I want to see the best male for each of those functions and we chose. And then as a matter of fact that turned into the element that we had a Board and we still have a Board today that over a third is of a different gender than the other and we have a Board that today has I think nationalities from Turkey, Belgium, Netherlands, the US and the UK. And so also giving a signal that this is not a UK company. This is a very international company although it didn't behave like that. And that was the thinking behind going after the different Board members where then some, they joined but then we had our [company Z], I'm thinking about his name, I'll give you his name, but he had to resign after a while because of the [company Z] discussions. But he knew the consumer, but [Director name] knew as well. So different angles, financial, high tech. [Director name] is like that, destination. And I'm a strong, but it has a risk. It makes your board very versatile, very different which is an asset but you then also have to make sure that it's a real team, that people don't start thinking from their own angle. And so it to me is the best recipe, but it's also the most difficult recipe.

And how do you manage that because that's actually one of the critical tasks for the Chairman?

I think it is a critical task and it's a critical task particularly in case of, well, of crisis and I had been on the Board of [Company A] where we had a hostile takeover and we knew where we had a disgruntled shareholder and then you see how important that it is. How do you do it? I think there are a couple of ways. One is even though we have committees everybody is free to join every committee and, yeah, as a matter of fact everybody joins every committee. So they are not a full voting member but everybody is and so there is not a two speed or two level of intelligence, particularly dangerous in my mind when it comes to audit that the audit people know so much more than the non audit members. Everybody could come to the other's committee. Everybody did, could come to health and safety committee and the same for remuneration committee. So all Board members were on this, continuously on the same level of information. You cannot do that when you have 18 of those, but when we are 10 like we are it's perfectly doable. So I'm not in favour of huge boards but just big enough that everybody can be on the same level of information. And in terms of during the board meetings I think you make sure as a chairman that everybody has his point of view because you have different characters. You have some people that are very talkative. There are some people they are just saying nothing but once they say something it's dot on. But try to make sure that at the end of an important discussion that you go round the table and say, [Director name], do you have any point of view? [Director name], do you have any point of view? And so even if they don't have it you force it almost so that they have to think about the subject and they cannot hide by saying nothing. And then the third element is what I would call the evening before, have a dinner the evening before. It's a different atmosphere versus the very structural board meeting.

It's very interesting because actually I'm very concerned myself from my research about having, respecting too much the committees and what you just said for me resonates completely because it does break the flows of information, it does create more information asymmetries between people and for you to generate that consensus and that one view it's, sometimes you can act against that.

Yeah, I'm very concerned about two speed information.

So, yeah, absolutely and that was really, really a good point. I mean, yeah, I'll probably share it. And I think the other thing is, so you did refer that, yeah, [CEO name] and [COO name] and [CFO name] that they all three, we've been with all three so as you said all three very strong characters and as you rightly point they have their unique strengths. I was wondering as the Chairman as well how is it to kind of steer this kind of calibre, high calibre people and make sure that there's no *air* gaps and that everything is running well?

Well, I think you need as a chairman to know what the state of the business is in and when, what the balance is between giving freedom and pulling the brake or giving guidance. And I think in the first years I mean [CEO name] almost had carte blanche because you knew if she cannot fix it it is not going to be fixed and [CFO name] had the financial skill to deal with it. So there the managing is from almost, [CEO name], you can almost do anything as long as you keep me posted and as long as it doesn't go against the thinking of [CFO name] because the financial restructuring is key. If [CFO name] believes that we are doing something which is detrimental to the company that's overriding, but once that is given you have freedom to run to do. Inform me, but I'm not going to steer you, I'm not going to sit on your chair or I'm not going to give you guidance because otherwise the speed of action is of utter importance at this point in time. At this point in time it's a bit different and we're going to come to the change from [CEO name] to [COO name]. But that's, there is I think, and why I think ultimately hopefully we're going to be very successful is that you need somebody that has the drive to change and I would say spin the wheels. But then you have to be careful that, you have to make sure that the car also moves forward and that you don't just spin the wheels for the sake of spinning the wheels and there comes a moment of time when all of the great concepts need to really be put into that car and make the car moving and that's when execution becomes a more important element than the strategic thinking. And I'm not saying that

[CEO name] did not have the power to do the execution and I'm not saying that [COO name] does not have the power to do the strategic thinking, but it's a matter of balance and that's the tilting point that we had last November.

Did the CEO ever come to you with …

With?

… or with different points?

Oh, yeah. Sure. Sure. Discussions on how capital tied should we be, how light should this company be, discussion on do we need an airline, what kind of a business are we? Sure.

So you were in that, in those things you were quite

Yeah.

Kind of a coacher, yeah?

Yeah.

A mentor.

Yeah. And then, and I think what you do as a chairman is I guess you, but it's like you provide the framework for the painting and then you let the CEO paint. And depending on the capabilities and the development of a CEO you either narrow the frame and you say, this is where you can paint or you're *winding* and say paint it. And if your, and I'm not going to judge whether that painting is going to be sold at Sotheby's for a million or not. Ultimately the shareholder is going to do that and we're going to then measure success by how the painting looks like and how much the share price is evolving. And with [CEO name], yeah. So as a chairman you set the boundaries and you say, we're not going to sell the airline. We are, and you have other discussions as to what the framework is, but it's a broad framework in which you say, [CEO name], now you paint.

Did you have, did you set up the succession plan for [COO name]?

Did I set what? Suggestion?

Succession plan. Did you groom [COO name] to …

The CEO did. [CEO name] did. And it came in two different ways. One was the UK was the one that needed to be turned around. Scandinavia had always delivered its 100 million and Germany with [company B] was doing fine as well. The UK needed to be fixed and we all knew if the UK cannot be fixed Company Y is not going to be fixed also because the UK is just in the front door of the analyst and of the investment community. And when we, when I travelled to Scandinavia and Germany there was a frustration of, darn it, why don't we get bonuses on the group level? I mean we're working on, excuse the language, our asses off and then those guys in the UK they all, excuse the language again, they all screw it up. So we said, why don't you Germans come and do it here? And so [COO name] was brought over here and that was a first sign to the Germans as to, OK, we mean it, this breaking down the silos. And [COO name] has been in charge of the UK for a while. And after that [CEO name] suggested that he would become the COO and so in November 2013 he became the COO and many people did not see what was between the lines, but that was a clear signal as to he is my successor if he proves, because then you really had the team of one COO for the whole group, not just little silos, but one COO for the whole group and a CFO and a CEO. And so from November 2013 on it was a matter of he was going to succeed her at some point in time and the expectation was not that it was going to be so soon. It was probably going to take two years rather than one year but there was always also from the Board a bit of a risk as to with [CEO name] great performance because she had a stellar performance. I mean I don't need to tell you the share price was, I was reading through some of my mails and we were jubilant when the share price went from 25 to 27p. That's a 10% increase, 2p, big deal. And so it went from 15p to 150, so tenfold. But that also meant from a Board point of view as to, oh, make sure that you have a successor in case there is another great company in wherever it is that wants to buy [CEO name] away from you. So there was that side as well.

Many analysts and the press, it was quite a bold move to move [CEO name] so quickly.

Yeah. It was and I think if you asked them again today they'd probably say it was the right move. But it was a bold move and I'd rather like bold moves than just carrying on and I think do it, do it bold, it makes sense, then do it. And then do it rather earlier than later.

Than later.

I mean there are so many examples where you say [COO name] is going to succeed [CEO name] six months from now. I mean who is running the company then? Nobody. Because the old CEO everybody says I'm going to ask the question to the new one. And the new one says, oh, but I, and so make it bold. And it was bold in many ways also because of the excellent track record that [CEO name] had, but we felt as a Board and also then with [CEO name] that there came when I said that switch from strategic thinking and [CEO name] had a lot of outside experts that had helped her in that strategic thinking which probably you could not do if you would be a smaller company, one of the advantages of being so big. But that the strategy was in place and [new CEO name] is not changing that strategy. Yeah, being a bit unbending here and there and over time but basically strategy is there. Now how are we going to execute it? Where are the pitfalls in this industry? And then [new CEO name] became the excellent man to actually do it and helped by the organisation and so that's how it happened. And then we said we'd rather do it at the beginning of a financial year because then you have the element of accountability and so this is [new CEO name] year and not halfway through a year because then they will say, oh, not me.

Yeah, this is great. I was just wondering what was your biggest concern, your dilemma because that situation was something that we really had doubts about that you were doing the right thing or

In general or in [Company Y name]?

In general going this journey.

It's the balance between high tech and high touch. Still not decided. As to, I think we are unique in this combination and it's the right combination but I mean where do you find the balance between that one? The other one is probably, and that's then my marketing background as to how can we more move towards a more unified brand approach because we tend to, I think one of my advantages is that I'm living across the Channel and people, if you live in London you think London and so Company Y is the world and then you come to Germany and you say, oh, but we have [Company C] and you come to Scandinavia and you say it's called [Company D] and you have [Company B] and so how, what's the speed of which you can unite that and make sure that you have one big company going forward? That's not a, that's a challenge. It's not something that I say, hey, I regret not having done it at all, but it's a challenge as to how do you manage that in terms of, in this whole transformation part it is the importance of finance was I guess on 21st November 2011 was 99%. Today it is probably 25%. The product offering comes in, the technology comes in. How do you evolve from a 99% financial driven company to one where you have the balances of all of the elements.

Without losing the controls and the discipline?

Yeah. And how do you then have the right KPIs because one of the reasons why this company went the way it went in 2011 is they did not look at the right KPIs. It's not that they were losing money it's just that they didn't have any money so they were looking at profit margin and turnover and there was a thinking as to the bigger, I am the more, I will gain but they had forgotten that there was something which is called cash flow that in a low season you probably, you could face a situation where you could pay your suppliers or even your employees. And that element was not measured so it's what are, and those, and KPIs are evolving in a business. Make sure, and I think that's where as a board you need to have discussions with your key executives as to, if you're sitting in the cockpit of your plane what are the key instruments that you need to be watching to avoid that you crash.

You mentioned that, earlier on that there were some positive conflicts between these, some of these key individuals. Can you give me some examples of those and how they were resolved or how they worked out?

Yeah, I don't want to cite too many examples because then it draws into, but the, I mean [CEO name] vision would probably in its more extreme be a, at some, initially though a storeless society with massive online booking without an airplane and maybe even without a product. Really the magic intermediate, call it the better [Company X] or whatever. And [COO name] would then say, hey, but if you don't have a product in this kind of a travel world you're not going to have anything. You need product. And that brought in the focus of product. [CFO name] brought in the element of finance in terms of, hey, but your airline isn't all that bad. It eats a lot of capital but at the same time if we are moving into a sale and leaseback it really can bring some capital in there. So they're, those are examples where you have a discussion and I think [CEO name] was smart enough to listen. I think that's one of her great qualities that she knew where she was or where she is, where her strengths are. I think she also for those elements relied a lot on external advice, particularly McKinsey and maybe a bit too much. But McKinsey was kind of like a second [CEO name], a mirror for her as to, if she would look into McKinsey mirror and say would you do that and if the mirror would answer yes then it's fine.

Laughter

That's exaggerated, but not too much.

And I guess my other question is so now you've got [new CEO name] on the driver's seat and what do you think is the future then?

The future?

Future for Company Y?

The way that we have envisioned it, which is this high tech, high touch. I think we move more in a balanced way of what are the elements and I think now is a time to focus on more unique products. Whether they are proprietary or not is not that much important but that they are unique. There comes a moment in time when you then say my geographical base that I have can I expand it? And I think our co-operation with [Company E] in China is a perfect example of that thinking. It probably comes a year earlier than what we had planned it for because there is the risk that people say, oh, no, I don't have to work that hard any more, the Chinese are going to do it for me. But I mean there comes a time that you become a much more global business, which we're doing. And then the whole discussion as to how capital light do you have to be, do you want to be is a continuous one in terms of discussion. I think the challenge for, that we have now is how can you combine the strengths of the organisation from [former CEO name] point of view with [new CEO name]? By that one I mean [former CEO name] was really going after everybody. I mean you had to deliver even before the question was raised almost. And so there is a, there was a bit of a risk as to [new CEO name] … ooh, now I can relax a bit. I'm overstating it, but. And how do you avoid that? How do you make sure that you have continuous drive in your organisation, that you have that there? And that some form of, yeah, complacency does not creep in into the, that you have those continuous challenges, which [former CEO name] because she was an outsider and it was, that was the reason why I wanted to have an outsider who could shake up the business and you could look at it from the outside and say, hey, we need to do things differently. Now you have an insider and you have to avoid that the insider only looks it from the inside and that you have some outside thinking there. And that's a challenge going forward.

And do you consider and if so what are the things you think that Company Y improved? Do you consider you are now a much more resilient organisation to face future downtrends?

We're definitely much more resilient. I mean from a financial point of view definitely. From a product point of view definitely. From a competitive point of view not yet fully. I mean because the risk in this business is that you think you're moving and you're improving but you're forgetting that somebody else there is doing the same thing and then suddenly you wake up and say, oh. Right? And so the competitive challenge is one which is going to, I think probably in this kind of a business it's the more people underestimate the challenge of change and how do you cope with that relative change. So not the change of you're not, not only do you have the change of your own company but the change vis a vis your competition. How do you cope with that relative change?

It's interesting the way you put it because in many ways you went through a very tumultuous time over the last few years and then it started stabilising, but you want

stability and change. You want to feel safe and feel stable but feel alert and feel you are able to change if things change. So in getting that balance right I suppose it's just what we've been discussing really.

Yeah.

To maintain the discipline to be able to change, but change is not over.

Yeah, change is not over.

It's a continuous element. The car in which we are driving looks kind of the way we like it to look like, but if you don't move forward somebody else is going to overtake you.

Yeah, and the road may change the

The road changes, yeah.

The road changes.

Yeah. Yeah.

You have to build systems in the car so you can cope with changes in the roads.

Laughter

Yeah. Sure.

No, it's really interesting. There's just one last burning question. I'm conscious of time which is so you brought in new people on to your Board, NEDs, what was their contribution to all this?

Oh, they have done, those have been great, yeah, just because they come from the, those, all those different angles. I mean if I take [Director name] she is an excellent chair of audit. She knows that. She also has a good link with [CFO name]. I mean the difficult thing for a board member and non-chairman is how do you keep yourself on top of the business without intervening in the business? And that's, people always think it's difficult for a chairman but it is I think sometimes even more difficult for a committee chair because a chairman can kind of have a helicopter discussion but then when it comes to for instance a chair of audit he or she has to really dig into it and so how does he or she dig into it without really taking the decisions? And I think the, particularly for, well, for all of the chairs the interaction between the executives and the board chairs is very much under estimated. But I think I now, oddly enough I will tell you the one capability that I probably am still looking for is somebody that understands the business. That sounds odd, very odd, but you either have people in this industry that are yesterday's people that know how to run the business of yesterday or you have the [company X´s] who believe that the technological model is the future. But somebody who really understands the marriage between high tech, high touch, if you know it let me know. We have it inside the company but it's, I'm looking for a challenger from the outside that could say, oh, but, hey, have you thought about X, Y or Z? Now it has to come from different angles.

That's again very interesting. It actually really resonates with my research actually. Yeah, because you often, you find yourself in between two worlds and two different ways of conducting business, high touch, high tech and you really need people who have both brains and that's very hard to find.

Yeah.

It's hard to find people who can do contradictory things. We can think about being changing and stability and high touch and high tech.

You know this thing?

Yes.

It's very difficult to do.

It is. It is, yes, indeed. And it's quite good for us because it is indeed very, something that often people either have one brain and they're either high touch or very high tech.

Yeah, and there's nothing wrong then with having two individuals on the board, one with this one and one with the other one, but ideally you find somebody that has it integrated.

Can I just ask one other question about the role of the non-executive directors and what role they played before or at the early stages of the challenges if you have some visibility of that and then more latterly what role they played in supporting the transformation?

Well, you cannot do this transformation if the board does not support it. I mean if the board would have a view as to we don't need to do this transformation then forget it. So throughout all of this exercise the non-execs have been very supportive of the, yeah, the mood and the move. I think the role of the non-execs also changes over time and it comes back to what I call my framework and my, the painting. When you are in a crisis you don't as a board challenge the execution of how your ship is rescued. You ask the captain, please rescue the ship. Over time when you are in more normal waters you will then challenge the captain and say, are you sure you're going towards the right direction, what are the alternative routes? And you have much more of a challenging environment. And I think we have gone through that first phase. It made no sense whatsoever to challenge [CEO name] and [CFO name] and [COO name] in the first 12 months as to are you sure that you're going towards the right direction because the answer was leave me alone, I want to save the ship. Once the ship is safe then you start moving it. And I think we have gone probably from save the ship, decide, I'm now simplifying the thing, but save the ship, decide where you want to be, then make sure the ship moves.

And has the

That was the final question.

Laughter

No, go ahead.

It's fascinating though because I mean has the conversation of the NEDs changed or is it just their role that changed?

Both. Both. I mean the conversation has changed over time, but the behaviour has changed as well.

And did that happen instinctively or did you co-ordinate that?

Both. I think it's smart board members know when to take distance, when to accelerate, when to put a limit, when to challenge, that's what smart board members do. Their behaviour is also guided by the situation and by the individuals. Some CEOs have a different, and so I think it's very important when you, when you look for a board member at this level you have to assume that everybody has the right IQ. There are no stupid board members. There are board members that don't have the right EQ and so finding and probing how people interrelate and finding what's the EQ of a board member is in my mind a very important element of your search for a board member. And I've had, I remember in my search I know one possible board member that is today a chairman of a very international company but that I decided he wouldn't fit in this culture because his EQ is not what is needed in this kind of a phase in this kind of a company. And yet he's a very excellent chairman in the company that he is the chairman of.

But it's both. It's both you need different qualities but also the behaviour changes in … of where you are. And the CEO as well. I mean you challenge [new CEO name] differently than you challenge [former CEO name] and you have to find the ways that, which, where you have to punch the ball or squeeze the ball in order to have the best results. And that's different in the UK versus in the rest of the world because you have such a different corporate governance structure, which I think is another interesting case study but for a different one.

For another, next year.

I've lived in five different corporate governance structures from the US, the UK, Holland, Belgium and France and Germany a bit to the side. All very different.

Would you consider one as, not as superior

Laughter

Yeah, obviously.

Wrong question, right? Which one, yeah.

Not superior. I actually, I can tell you I'm very much aligned with the German and the Dutch and the Holland types of governance because I think that has the seeds of the future of what we need in terms of governance in this world. However, do you find that German and Dutch have, because I have this hypothesis coming for a number of reasons that they are better prepared for crisis.

Well, that's now a more philosophical one. I think you see that the Dutch and the Germans, particularly the Dutch, are moving towards the Anglo Saxon model there. So if that's such a good model why are they moving? But, and I think the marriage of the two would be the ideal. And what is the ideal of the two? I think the excellent thing of the Dutch and the Germans is the fact that they take more old stakeholders into account, employees in Germany particularly, but also in the pure Dutch model it specifically states that the board is responsible to stakeholders, not the shareholders. And that has an advantage in terms of crisis because in terms of crisis, I mean one of my statements, for better or for wrong, is why are there so much less strikes in Germany than in France and why has Germany come out of the crisis so much faster than in Germany than in France? It's because the unions were a part of the Aufsichtsrat in Germany and they are in the bath and they feel how cold the water is and whereas in France they're saying, oh, but it's so nice to be in the bath and the water is warm. So putting them into the bath leads to a different decision and co decision which is what the German and the Dutch model is. So when you are in terms of a crisis that is a much more embracing one. Where that system falls short of is in a fast moving world as we are in today most of the board members are not up to date with what's really happening in the company. They have board meetings but in between the meetings they don't know. So whoever puts the board agenda together, whoever puts the board documents together decides on what's happening. And that's good about the UK system that the board members are much more involved or involved, yeah, up to date, knowledgeable about the business. It starts with the chairman but also the, even the non, other non execs know much more about what's going on in the business and so you have, the UK system has the advantage of understanding the businesses better and once you are moving forward and once you are driving your car to then ask the right questions of are you on the right road. The unions don't ask you to, which road you're taking. When you are getting off the road and falling off the cliff then they are with you.

So it's the combination of the two to me is the better one and so I plead that me coming from part of that world helps it.

Laughter

No, it does, yeah, absolutely.

But I think

That's again the … brand we're talking about.

Yeah, yeah, yeah. But I'm strong believer in that combination of the two. So I think the UK one may well evolve a bit towards the Dutch and the Dutch has come, evolved towards the UK one.

It's interesting. Yeah, we've just 30 seconds. I've just a very, very last thing. Yeah, I promise this is really the last one, [chairman name].

Well, if you speak for 29 seconds that's fine.

Laughter

One of the things I came out with throughout all these businesses is the fact that nobody has the guts to stand up in the board and say there's an issue and it's a serious one and we need to take action which is rather, you mentioned two of the words at speed and right now. But somehow it builds a sense of nobody wants to really stand up and do it. What do you think is really necessary for those things to happen better and more effectively?

Well, that was a 30 seconds question, so let me give a 30 second answer. I mean the challenge is how do you draw a line, how do you stand up without undermining the CEO? And if you, and again if we talk about the US system, the US corporate system, you always say yes until you fire him and then suddenly many things were rubbish. The good thing about the UK system and about good UK boards is that they do know a lot about the company and that's where the EQ comes in, that you then have a very good EQ board member who sometimes even outside of the board room says you've gone too far because the risk of doing it in the boardroom is that you denigrate the CEO, you make him or her lose face very publicly. So the best thing is you either let it go via the chairman and that somebody, and I've had it, that somebody comes to the chairman and says that one was over, that's over the line. And then in fact you ask the chairman to talk to the CEO and say, you crossed the border line. And it's on a one on one, and I've had it in this company, and you then, it's solved and nobody has lost face and everything continues. It doesn't mean that you should never have it in the boardroom, no, but you should be careful, you should dose it because if you either it becomes a vote of non confidence vis a vis an individual. Now when you have a topic, and that's the other thing, the challenge for a chairman has to make sure that touchy items become a topic and not an item from the CEO. We have, on the next board meeting we have two what I call topics and everybody can there say draw a line or raise a flag because it's a topic. It's different versus if the CEO would say, this is what I want to do, because then you have to say no to the CEO or yes to the CEO. But here it's brought as to this is a topic and everybody just you have a guided discussion, but then you can have the lines and then the next board meeting that's what it is.

Well, from my side I just have to thank you very much.

Yeah, thank you.

You're welcome.

It's been very, very helpful.

So looking forward to what you make of it.

END OF INTERVIEW

Appendix 4: NVIVO-10 Coding Structure

Nodes

Name	Sources	References
THEME 1_CHAIRPERSON&CEO ROLES PERCEPTION OF BUSINESS CONTEXT & COMPETING DEM	27	347
Perceptions of business context	23	194
Economic and Financial Crisis	17	61
Technology Change	19	72
Far-reaching regulatory change	17	61
Perceptions of competing demands	25	153
Strategic competing demands of restructuring and growth	14	54
Strategic competing demands of exploitation and exploration	12	41
Role-based competing demands of operational and strategic work	4	7
Role-based competing demands of diversity of thinking and unity of action	13	51
THEME 2_CHAIRPERSON & CEO ROLE BOUNDEDNESS	29	425
Chairperson-CEO relationship qualities	10	55
Chairperson time and relationship trust	9	38
Complementary skills experience and perspectives	6	17
Chairperson-CEO role boundaries	13	68
Contextually negotiated based on skills & experience (problem oriented)	10	28
Normative role boundaries based on accepted norms	12	40
Chairperson Roles in relation to the CEO (source of CEO demands, constraint & support)	27	302
Chairperson Buffering Role	25	214
Non-Executive Directors & Board Behavior (Demands & Constraints)	11	28
Constraints & Demands (expectations)	11	28
Pursuing own agenda	3	3
Protecting own reputation	4	10
Pursuing a particular agenda (lack of independence)	2	2
Board with too much focus on operations	3	13
Shareholders, analysts and other market pressures	15	83
Pressure to make short term early announcements	11	20
Pressure and disagreement over strategic direction & competitive advantage	15	39
Pressure to pursue acquisition strategy as opposed to investment in new technology	14	24
Exercising the Buffering Role	16	37
Chairperson characteristics for effective buffering	12	66
Independence of thinking and behavior	11	30
Significant and appropriate experience	11	36
The Chairperson adviser and counsellor roles	14	78
Adviser Role	14	45
Counsellor role	14	33
Chairperson Partner Role	4	10
THEME 3_CHAIPERSON ROLE_LEADING THE BOARD TO DEAL WITH STRATEGIC TENSIONS	27	330
Determining and Managing Board Composition	16	95
Managing composition for resource provision	11	32
Managing composition for cognitive diversity	12	31

Nodes

Name	Sources	References
Managing composition as signalling	6	13
Managing composition and industry experience	9	19
Ensuring Adequate Board Engagement	19	148
Non-Executive Directors Engagement with the business	18	112
Engaging the board in a timely manner regarding tension-generating topics	7	23
Building Board-CEO Supportive Engagement	16	53
Organising board agenda and working for engagement	11	33
Board-CEO Engagement	10	36
Managing Board debate, dynamics and contribution	15	53
Managing board dynamics and debate on tension-generating topics	15	53
Board contribution to strategy	12	34
THEME 4_CEO ROLE_STRATEGIC BEHAVIOR	29	505
Determining Top Management Team composition, size and dynamics	20	191
TMT Composition	6	73
Ensure TMT requisite variety to cope with environment	6	29
Ensure continuity and change _fresh perspective and firm-specific knowledge	3	15
Ensure a cohesive team	6	29
TMT Size	3	10
Building smaller teams	3	10
TMT Dynamics	16	108
The CEO role in the TMT Process	16	108
Encourage challenge and ensure consensus	5	16
Centralised and de-centralised decision-making	7	18
CEO-CFO relationship and role interdependence	5	32
Educate senior leadership to work through tensions	8	30
Encourage TMT Role Rotation	2	12
Strategy Formulation	23	178
Articulating a business purpose	17	46
Determining Competitive Advantage and Unique Capabilities	17	53
Determine the Pace and Scale of Change	13	25
Organisational Structure Redesign	20	97
Sequential restructuring and growth	13	46
Simultaneously restructuring and growth	5	14
Allocating exploration and exploitation demands to different business units	10	37
Strategy Communication and Alignment	13	39