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SOME ISSUES ARISING FROM THE ROLE RELATIONSHIPS

OF THE NON-EXECUTIVE DIRECTOR

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Thesis submitted in partial fulfilment of
the requirements for the degree of PhD

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CONTENTS

DECLARATION

While registered as a candidate for the degree of PhD the author has

not been a registered candidate for another award of the C.N.A.A.,

nor of a University during the research programme.

Statement of Advanced Studies Undertaken

1.   Attendance at the lecture course on Research Methodology,

      and Behavioural Science courses, for the MSc in Organisational

      Development.

2.   Attendance at various relevant research seminars, e.g. on

      methodology, within the Department.

3.   Attendance at various conferences, e.g. the Organisation

      Development Network Conference.

4.   Appropriate reading, especially as directed by supervisors.

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Publications in advance of the thesis

(1)   "The Non-executive Director; A Verstehen Approach"

  Journal of Management Studies Spring 1980 (with M J McAuley)

(2)   Executing a Non-executive Role

  Accountancy Age 11th January 1980 (with M J McAuley)

(3)   Evaluating the Needs and Abilities of the Non-executive Specialist

  Accountancy Age 18th January 1980 (with M J McAuley)

(4)   Being Competent; a Non-Executive Director's Perspective

  Journal of Enterprise Management (forthcoming)

ABSTRACT

Some Issues Arising From The Role Relationships of Non-Executive
Directors

Anne Catherine Spencer

This research has selected a number of areas of member theorising
about the role and role relationships of the non-executive director
for discussion and analysis. The kinds of things members theorise
about are; the nature of the role, the issue of competent role per-
formance, the relationships they form with relevant others, and the
ways in which power and/or influence is exercised, both by themselves
and others.

The basic question this research is addressing is: how is outsider
participation in top-level decision-making within an organisation
managed? The answer to this, in effect, constitutes a theory of the
work and role relationships of the non-executive director. Inherent
in this is the perception of the non-executive director, by himself
and by others, as an essentially marginal figure occupying what is
frequently seen as a rather ambiguous role.

Given that members' accounts and theories of action are crucial in
building an adequate theory of the non-executive director's role and
role relationships, the methodology adopted is one which uses the
verstehen approach. The intention is to directly take account of the
members' perspectives, the theoretical frameworks constructed by mem-
bers as an explanation of their activities in the organisation and to
consider the relationships of these theoretical frameworks to conven-
tional sociological and organisational theory.

The research is therefore intended to represent an advance in the
theory of organisation, especially as regards role relationships, and
the relationship of marginal organisation members to that organisation;
also to represent a further development of the use of the verstehen
approach in relation to business and industrial organisations.

A BRIEF INTRODUCTION TO THE WORK, AND AN EXAMINATION OF THE

STRUCTURE OF THE THESIS

Introduction

This research originated in a degree of puzzlement regarding the role
of the non-executive director, and the fact that there appeared to be
very little theoretical work to provide an explanation of a number of
features of his work. The non-executive director, although particip-
ating in the decision-making process of an organisation at the highest
level, is an outsider to that organisation. The role is a strange one
in that the non-executive director, although nominally at the highest
point of the organisational hierarchy, is, at the same time, outside
the hierarchy. He is concerned with the organisation for perhaps two
days a month. He has no staff within the organisation to assist him.
However, the decisions he helps to make are crucial to the organisa-
tion. In British boardrooms there is a tendency for boards to have a
majority of executive directors. Therefore initially there were the
queries: how do these people, the non-executive directors, perceive
the role they play? How do they relate to their colleagues? How much
influence can such outsiders bring to bear on the decision-making pro-
cess, and what factors determine this? How does the non-executive
director come to be perceived, and to perceive himself, as a competent
performer in that role? The lack of adequate answers to such questions
was initially puzzling, but is perhaps related to the difficulties in-
herent in obtaining empirical data from persons at the top of the orga-
nisational hierarchy. While there is a great deal of theoretical work
relating to the shop floor, there is relatively little relating to the
boardroom. (The problems surrounding data collection are discussed in

As the research progressed, it became rapidly apparent that quantitative methods would be inadequate in providing a solution to the problems posed by the role of the non-executive director. Such information as can readily be quantified, e.g., age on appointment, educational background, professional background, amount of fees paid, etc., has already been comprehensively dealt with by various surveys examining the nature and composition of Britain's boardrooms. An attempt to quantify the interview data obtained would have been inappropriate and would not have added anything to our understanding of the role. It was found to be far more instructive to conduct a relatively small number of interviews and to analyse them in depth, taking note not only of what is said, but also of underlying implications, use of terminology, use of language generally, and implicit assumptions made. What we are interested in is how the non-executive director himself perceives his role and the various contingencies surrounding it, and to attempt to quantify perceptions would be meaningless. The work is essentially qualitative, since the more the problem was examined, the more this appeared to be the only appropriate method of approaching it.

What we are dealing with, then, is non-executive directors' own theories regarding the activity of being a non-executive director. Descriptions of the nature of this activity put forward in this research must, of necessity, constitute a second order construct. Only the non-executive director himself can produce a first order description as the role occupant. However, in analysis of the data, the descriptions and theories generated arise from the selection of various issues for consideration which are recurrent features of members' own accounts. Rather than imposing an entirely external model devised by the re-

searcher on the group to be studied, the non-executive directors, we are looking at their own theories regarding role performance as an explanation of the activities in which they engage.

While such issues are handled in a discrete manner, in terms of chapters and headings, many of the issues discussed in fact merge into each other or are largely interrelated. Factors affecting role relationships and role performance should not be considered as separate or isolated issues, but rather should be seen as different, related, facets of the overall picture.

The Structure of the Thesis

Chapter 2. This begins the work with a discussion of the methodology employed. The verstehen approach is examined as an appropriate and valid method of dealing with research of this nature. The actual interview procedure and the problems surrounding data collection are also discussed.

Chapter 3. There is a discussion of the ways in which the non-executive directors perceive their own roles, and the ways in which the roles they play are created and maintained through interaction with significant others. In conjunction with this, the relevance of 'conventional' sociological role theory is considered, particularly interactionist approaches. Members' own theories regarding their roles are compared and contrasted with sociological theory. The extent to which such theory is a useful tool for understanding members' accounts of their roles is explored.

Chapter 4. A key aspect of the non-executive director's role relationships is related to members understanding of competence. In con-

ventional role theory, the issue of competence is very often not taken into account. However, in this work the issue of competence is seen as being of considerable importance. It is evident from the interview data that it is an issue that greatly concerns members themselves. To tackle this issue, an 'ideal type' of the non-executive director is constructed from the prescriptive documentation, and then used as a contrastive device against which to examine members' own notions of competence.

Chapter 5.   Competence is not an issue affecting non-executive directors in isolation. Notions of competence are crucial in the non-executive director's relationships with executive colleagues, the other members of his 'role set'. Therefore there is an extended discussion of the non-executive director's relationships with all other board members, executive and non-executive, with particular emphasis on the relationship of the non-executive director to the chairman/chief executive, often the most important relationship as perceived by the non-executive directors.

Chapter 6.   This leads to a discussion of power and influence in the boardroom as perceived by the non-executive directors. The difference perceived by the non-executive directors between 'power' and 'influence' is discussed, also the extent to which non-executive directors perceive themselves as able to exercise power/influence, and the extent to which they perceive such exercise of power/influence by relevant others. There is a discussion of the extent, if any, to which the non-executive directors perceive the exercise of power/influence as necessary to competence, and the ways in which this affects role relationships. Issues relevant to this discussion, i.e., consensus decision making, forming of power blocks within boards, and the concept of

'making a mistake' in the boardroom are also considered in depth.

Chapter 7.   The concluding chapter draws together the various issues examined in the body of the work in an effort to establish a general theory of the non-executive director's perceptions of his role relationships and of the nature of the work he does.

THE DISCUSSION OF METHODOLOGY WILL TAKE THE FORM OF AN EXAMINATION OF THE VERSTEHEN APPROACH AS A VALID AND APPROPRIATE VEHICLE FOR ANALYSING MEMBERS' UNDERSTANDINGS OF THEIR ROLE RELATIONSHIPS

1) THE METHODOLOGICAL PROCESS

1.1 Problem Selection

The research is directed towards an area which does not seem to have been considered in any great depth at present; its importance will become apparent as the work develops.

It is not claimed that there has been no discussion of the role of the non-executive director. There have been a number of articles which are prescriptive (e.g. Chudley 1976; Bull 1969) (i.e. describing what the role should be), there have been surveys (e.g. B.I.M. 1972) purporting to demonstrate various features of the role and there have been various reports on the role of the non-executive director. That there has been this interest and yet that this interest has never been tied into any theoretical framework is not totally unexpected. We can suggest this for various reasons:

(a) Exploration of emergent theories of organisation, (e.g. Weber's Theory of Bureaucracy) make scant reference to the role of the outsider-who-monitors the work of the organisation. Subsequent writers tend to look at the "environment" rather than fix on the non-executive director as a specific feature of that environment.

(b) Following from assertion (a) the non-executive

director is essentially a marginal character, and that marginality makes for considerable ambiguity of role. Ambiguities of role tend to generate prescriptions rather than theories because it is only through prescriptions that members can see the role as being workable. Any theory of non-executive directors would need to capture the ambiguity of the role. This would not necessarily help the non-executive director (in a direct way) to go about his everyday non-executive director work. Of course, the role of theory in the social sciences is not necessarily to be 'helpful' to practical men of affairs; if it turns out to be so well and good but that is not its primary objective.

(c) Related to (b) the non-executive director's work - whether monitoring or advising - is essentially practical. Even though it has a marginal quality it involves serious people going about serious business (Berlin 1978). These people may well have some sort of theoretical underpinning to what they are doing but rarely would these theories be complete explanations of their total activity. It will turn out, however, that the partial theories that they hold about the nature of their work will play a vital part in developing a meaningful theory of the work of non-executive directors.

However, this work develops a theory of the activity of non-executive directors by achieving some means of understanding the theoretical

propositions that non-executive directors themselves use in order to undertake work. In saying this we are guided by the assumption that non-executive directors (in common with the rest of humanity) are capable of theorising more or less in accord with the standards of rationality that are applicable in the Western world. That is, the non-executive directors are not "trapped" in their role to the extent that they have become (to the sociologist) "cultural dopes" or (to the psychologist) psychological dopes, responding merely pathologically to the stimuli that surround them. This is in accord with the work of such writers as Mead (1934) and Garfinkel (1967) and others.

We are engaged in generating a model using members' theories of the role and status of the non-executive director, that is, the features that surround membership of the collectivity. These terms are to be defined more closely in subsequent sections but the utilisation of members' theories has methodological importance.

What we find regarding membership in a bounded activity is that although there are no formal qualifications for entry into the collectivity, not only collectivity members, but also those with whom they work, express strong values about the sort of person, both in terms of technical competence and social skills who would constitute an adequate non-executive director; that we can regard non-executive directors as a collectivity. In this thesis we are exploring the general relationship between the realities of collectivity membership as experienced by non-executive directors who experience themselves as fairly typical members of the collectivity. It may well be the case that there are non-executive directors who undertake their work in a way that they experience and that is experienced by others, as deviant, however, it was felt useful to explore the phenomenon of 'normality' in perform-

ance. This is in accord with Sharrock's (1974) suggestion that in major respects the 'normal' is taken for granted and not subject to detailed research. Because members themselves trade on concepts of 'typicality' in terms of behaviour and tasks it is not necessary to interview all members of the collectivity. It should be added that the study of the role of the non-executive director might be expected to shed light also on a number of other occupational roles which operate in a similar fashion, in the sense of being concerned with outsider participation in decision-making within an organisation, as, for instance, the roles played by external examiners and consultants. It is the study of the relationship of marginal but potentially significant organisation members to the organisation.

2) THE VERSTEHEN METHOD

2.1 Basis and validity of the method

Turning to a general discussion of the method known as verstehen, it is useful to examine the basis and validity of this method.

Brown (1977) explains the concept of verstehen as follows:

> 'We know that other minds exist by analogy to our own mental life. We understand other minds by immersing ourselves in the interpretive study of their external objectifications...'

He points out that positivist methodology such as is used in the natural sciences is not adequate when applied to the study of human phenomena, 'except in their aspect as natural objects'. To apply this kind of positivist logic to human expressions destroys or conceals their essential meaning. Understanding of persons should be grounded in a hermeneutical, or interpretive, procedure relating to our ability to imaginatively recreate the inner experience of others. It is not the supposed objectivity of the natural sciences, but exploration and analysis of the intersubjective relationship between persons, that

will achieve this.

> 'Understanding (verstehen) thus refers to one mind's engaging another mind. This process involves the interpretation of the lived experiences of that other mind which we have imaginatively recreated in our own mind upon the presentness of the other's objectified expression.' (Brown 1977)

Giddens (1976) remarks, as a comment on the work of Wittgenstein:

> '...self-understanding is connected integrally to the understanding of others. Intentionality, in the phenomenological sense, is not thus to be treated as an expression of an ineffable inner world of private mental experiences, but as necessarily drawing upon the communicative categories of language, which in turn presuppose definite forms of life. Understanding what one does is only made possible by understanding, i.e., being able to describe what others do, and vice versa. It is a semantic matter rather than a matter of empathy; and reflexivity, as the distinctive property of the human species is intimately and integrally dependent upon the social character of language.' (pp 19-20)

We are talking neither of subjective introspection nor of attempted objective comprehension of relationships, nor of some kind of spiritual communion. Giddens suggests that verstehen is not just a method of understanding what others do; 'it is the very ontological condition of human life in society as such'. The notion of verstehen in the study of human conduct is also related to an emphasis on the radical differences between the problems of the social and natural sciences. (Weber, however, believed that such a 'method' of understanding would produce results of an objectively verifiable nature.) He was much influenced by the concept in its traditional form, although highly critical of it. It is largely through his work that the term 'verstehen' is in general use among social scientists today.

Giddens (1976, pp 52-53) makes four further comments on verstehen that help to clarify the concept and its use in this thesis:

1) Verstehen should not be treated as an investigative technique peculiar to the social scientist: it is basic to all forms of human interaction.

2)   By direct implication from this, in a basic way, the social
scientist draws on the same sorts of resources as laymen do in making
sense of the conduct he is trying to analyse or explain. Similarly,
the 'practical theorising' of laymen should not be dismissed as an
obstacle to the 'scientific' understanding of human conduct. It is a
vital element of the occurrence of the conduct, of the way conduct is
caused to happen by the actors, and is therefore a necessary part of
understanding the conduct.

3)   The knowledge routinely drawn on by members of society to make a
meaningful social world is generally taken for granted or implicit,
and of a pragmatically oriented kind. It is knowledge which the ind-
ividual is rarely able to express in propositional form, and to which
the ideals of natural science are not relevant. However, one of our
interests in this thesis is to explore taken for granted matters and
rationality that lie behind the common sense assumptions that help
collectivity members manage their own affairs and attempt to influence
others.

4)   The concepts used by the social scientist are linked to, or depend
on, a prior understanding of those used by laymen in creating and sus-
taining a meaningful social world. As Giddens (1976 p 56) remarks:

> 'All understanding demands some measure of pre-understanding
> whereby further understanding is possible.'

That is to say, all members of society share certain common-sense prop-
ositions which enable them to achieve an understanding of that society
and of the roles they play within it. This basis of shared knowledge
is necessary if we are to understand the particularities of roles
played by others. The social scientist is as much a member of society
in general as are those individuals who are the focus of his study and
it is because of our shared cultural axioms that we are able to comp-
rehend the specific contingencies surrounding another's role performance

This leads on to Goffman's concept of the 'situated activity system' as a way of looking at role. His argument is that one can only really examine role performance by examining actual concrete instances of role enaction. The 'situated activity system' could be said to represent the lowest common denominator of role performance. It is impossible to deal with every possible aspect of the behaviour of a person falling into an analytical category which we wish to discuss. However, a person, in the course of performing various activities regularly associated with his role, will perform some activities which:

> '...will bring him into face-to-face interaction with others for the performance of a single joint activity, a somewhat closed, self-compensating, self-terminating circuit of interdependent actions...' (1972, p 84-85)

It is these activities which constitute the 'situated activity system'. Goffman gives as an example the performance of a surgical operation. An equally valid example might be the meeting of a board of directors, for our purposes. Therefore, to fully understand the role of the non-executive director it would be necessary to examine how the non-executive director behaves when he is actually performing that role, that is to say, his interaction with his fellow directors in the context of a board meeting.

Unfortunately for the purposes of this study, presupposing that we wished to take this approach to analyse the role of the non-executive director, the practical difficulties would be almost insuperable. Most board meetings are conducted in such an atmosphere of strict confidentiality that proceedings cease on arrival of the lady with the tea, only to be resumed on her departure, so it can be imagined that the presence of a social scientist attempting analysis of boardroom behaviour would rarely, if ever, be tolerated. It is interesting to note that rarely, if ever, are minutes of board meetings accessible to

to the researcher, quite apart from the meetings themselves. So, for the purposes of this research, while we can analyse member's descriptions of the situated activity system, the board meeting, we cannot analyse the board meeting itself.

In discussion of a methodology which is essentially qualitative rather than quantitative, some remarks made by Dalton (1964 pp 55-56) on the subject of his 'preference for idea over number' appear to be of assistance in clarifying the validity of such an approach. He feels that quantification 'for its own sake' is, in many instances, not a useful approach to data. While quantification may be a useful approach to data that lends itself to such techniques, some forms of data may be distorted by determined and ingenious quantification. Widespread problems may be ignored or obscured. Where one problem is closely interlinked with others, some parts of the whole may be inflated out of proportion, while others may be discarded because of quantitative inadequacy, producing an unjustifiable distortion of the whole picture. Also, he has observed that, both in and out of the academic world, 'idea is usually supreme over number as an influence in thought or behaviour'. Idea dominates those who believe number to be more important. For instance, where statistics are assembled to support a position, it is the idea which the numbers are intended to support which will determine whether the statistics are studied or rejected.

Becker (1970 pp 31-32) in discussing a participant observation study of the behaviour of medical students, also discusses the problems of quantifying data and the fact that this is not always an advisable approach to the data. He remarks that:

> '....the exigencies of the field usually prevent the collection
> of data in such a form as to meet the assumptions of statistical
> tests, so that the observer deals in what have been called

"quasi-statistics".'

When a researcher is assessing the 'quasi-statistical' evidence for reaching a conclusion, he is really working in a similar way to the statistician. He does not argue that a conclusion is totally true or false, but decides how likely it is that conclusions about the frequency or distribution of some phenomenon are accurate quasi-statistically. In the same kind of way the statistician, using the tests available to him, decides whether his conclusion is more or less likely to be accurate.

Becker suggests that the kind of evidence may vary considerably and the extent of the researcher's confidence in the conclusion will vary accordingly. The forms evidence might take are summarised as follows:

1)   Every member of the group, in response to a direct question, said that this was the way he looked at the matter.

2)   Every member of the group volunteered that this was how he viewed the matter.

3)   Some proportion of group members either answered a direct question or volunteered the information that this was how he viewed the matter, but none of the others were asked or volunteered information on the subject.

4)   Every member of the group was asked or volunteered information, but a certain proportion had a differing viewpoint.

5)   No one was asked or volunteered information, but all members were observed to engage in behaviour or to make other statements from which the researcher inferred that this was their view.

6)   Some proportion of the group was observed to have a certain perspective, but the rest of the group was not.

7)   Some proportion of the group was observed to have one perspective, while the rest of the group was observed to have a quite different

perspective.

A researcher may be more convinced of his conclusions if he has many items of evidence rather than few, or if he has many kinds of evidence.

All these observations on data analysis are useful to this research endeavour as indications of the kinds of ways the semi-structured interviews conducted with non-executive directors should be examined and analysed. We are not concerned with answers to questions and/or volunteered information alone. An attempt must also be made to 'read between the lines', to understand the inferences and implications of statements made by members. Not only the statements made, but the terminology members use, the ways in which they discuss things, must be considered.

What is being suggested is that utilisation of the verstehen approach provides an insight into a more complete picture of the nature of members' perceptions of their role. Persons interviewed are encouraged to talk about all aspects of their role which they feel to be relevant, and the level of detail, both in the interviews conducted and the subsequent analysis of these interviews, is very much greater than would be obtained by survey or statistical methods. The contradictions and lacunae in members' own theorising can be captured and examined by use of this approach. This contrasts with a situation in which , when in the course of statistical analysis, there is a tendency to discard them as 'deviant data', because of an attempt to purify the data by attempting to eliminate "undesirable" features. Utilisation of verstehen method helps to remedy the crucial problem identified by Bittner (1965). He points out that much theorising in social sciences is:

"a refined and purified version of the actor's theorising.
To the extent that it is a refinement and purification, it
is by the same token, a corrupt and incomplete version of it" (p247)

Much theorising - for example, organisational theories - fails to ack-
nowledge the debt. In purifying members' theory what happens is the
flavour of the original members' theorising is lost - its indexicali-
ties, taken-for-granted, commonsense implicitness.

2.2   The Application of the Verstehen Method

The people of whom we write - the non-executive directors - are located
in a particular part of the structure of organisational life. This is
a feature of their life that, in part, entitles us to think of them as
a collectivity (Parsons 1951). Even though they may not interact with
all other members they share a common structural experience. Further
discussions with them reveals that they share a number of values, att-
itudes, beliefs about the nature of their work in common. That is,
they share - but not utterly, there are idiosyncratic members - a com-
mon culture. This culture that they share is not necessarily entirely
different from the cultural axioms held by many other members of our
society. We do not in any way want to create a view of their culture
that exaggerates "all the quixotic, irrational and inscrutible ingre-
dients" (Harris 1968) in their existence - we are not looking at them
p12
as anthropologists in the earlier part of this century looked at obs-
cure tribes nor as some modern writers on organisation look at collect-
ivities like "workers". Non-executive directors are men amongst men
and we would not want to forget that they shape up their lives and give
meaning to phenomena in much the same way as other members of their own
social group. Yet, at the same time, the fact of their structural pos-
ition gives them distinctiveness, marks them out from others. Thus, in
order to generate any analysis of their activity the prime need is to
come to some understanding of what it means to be a non-executive

director.

Our basic approach is what Geertz (1975) felicitously calls "actor oriented".

We find that members of the collectivity share in common a number of propositions about their work. This is in accord with Wittgenstein's suggestion that :

> "when we first begin to believe anything, what we believe is
> not a single proposition, it is a whole system of propositions.."
> (Wittgenstein 1974).
>   p225

We can search out the other propositions made by non-executive directors that further contribute to the characterisation work, that is, what is it, according to members themselves that constitutes adequate membership of the community of non-executive directors.

This characterisation is important because although the role of non-executive director is somewhat ambiguous there is data that suggests (i.e. we can have a hunch that it is so from the data) that non-executive directors awarely and consciously operate as something of an enclosed group - i.e. there is a high degree of interrelatedness between non-executive directors. This means that implicitly and in various ways they exercise a degree of control over membership, they are mutually selective.

The concept of 'collectivity' is discussed in much greater depth in Chapter 4, and this brief discussion is intended to serve as an introduction only.

As has previously been remarked, in this kind of research we are making use of the fact that members are not 'trapped' in their roles, but are

able to theorise about the nature of their roles. At the heart of the verstehen method is the proposition that members should not be regarded as stupid; they are capable of understanding and interpreting the various facets of their environment.

It is this ability to reflect on their circumstances on which we trade in this type of research. We also trade on the fact that this reflection is captured in their talk, in the articles they write and in the articles that are written about them. Crucially, however, we do not make judgements about these theories; we would not ever want to suggest that theory A which is written-up and documented is "better than" theory B which is an expression of an opinion. Rather, as we have suggested already, in exploring all the theories and propositions that are made by members (or observers of non-executive directors) we apply a principle of scientific indifference (Garfinkel and Sacks 1970). All have equal validity because all are tied in to the conditions of use in which they are located. That is, they all work in broadly the same empirical framework and "competent" members broadly show the same theoretical underpinning to their activity; they share as collectivity members the same universe of meaning.

One feature of the empirical framework is that non-executive directors share a structural setting; they are in a structural relationship to other directors. As we have already mentioned this structural relationship has some features of interest both to the non-executive director and to the social scientist.

A generally accepted proposition in the social sciences is that when organisation members routinely experience - or are seen by others to be experiencing - difficulties, one explanation is that there is role

ambiguity generated by structural features - that the "fit" between
the group and the organisation has problematic features. As a general
feature of organisational life, members themselves often hold theories
about people who suffer from role ambiguity - they attribute to them
qualities of stupidity, senility, malice, fecklessness, etc. Members
commonly generate psychologistic explanations for what may be seen by
the analyst as social features. They are social because they are per-
vasive, they occur routinely. However, psychologistic explanations
may be used for a variety of reasons - because members are enmeshed in
the structure, because they are responsible for creating the structure,
because they do not see the feature described as a general feature and
so on. In preferring a sociological explanation we are not discounting
the psychologistic ad hoc explanation; rather we are adding a different
dimension to it. The psychologistic explanation has validity because
it is the explanation generated by members to account for the phenom-
enon.

In order to explore the structural features of organisational life we
need to move from the informality of members' ad hoc theorising to the
formal documentation that members themselves and other commentators
devise in order to generate instructions about adequate role perform-
ance, the prescriptions that appear from time to time in journals, etc.
As with theorising about organisations (see above) so these articles,
whether by practising members or by outside commentators, represent
what we might call a gloss on the activity. They seek to explain it,
criticise it, create a sales pitch for it, justify it, philosophise on
it or whatever. As such they represent an invaluable source of know-
ledge about the role of the non-executive director. They represent
the stock of FORMAL knowledge that delineates the nature of the role.
As we mentioned earlier these documents may not have high theoretical

content - they are practical guides to action, prescriptions.

They can be used by the researcher to construct an Ideal Type of non-executive director. The term "Ideal Type" is used in a strictly social science way - that is, it has the status of the 'Models of Man' derived from Psychology, or the Ideal Type 'Bureaucracy' from Weber in Sociology. As Ryle (1960) points out when we undertake the erection of Ideal Types we are not claiming that this one (the scientific version) is "better than", an "improvement over", the "real-life"one. Documentary evidence of whatever sort is treated with scientific indifference. The research approach is basically similar to that used in examination of the informal data - an attempt to derive from the data the explicit and implicit theories that inform the data.

There are several ways in which this data can be of use to us. We should mention two:

1)   The most common application in social sciences of Ideal Types is as a contrastive device. Thus if the Ideal Type is a member (i.e. not our) prescriptions - even where it is not member constructed, as in Weber's Theory of Bureaucracy it can still be taken to represent a model of the "purest" form of the phenomenon. We may well then find that in real-life there are significant departures from the prescriptions and behaviour derived from the model. This is common experience and the research demonstrates that it applies with some vigour to non-executive directors. We were not surprised to find:

a)   that the model itself is fraught with contradictions, inconsistencies, muddles, lacunae. This would be expected because there may be inconsistencies as between members over crucial aspects of role performance as to the nature of the role and its performance. The model itself will contain significant inconsistencies in much the same way as

Weber's Theory of Bureaucracy contains a number of inconsistencies.

b) The prescriptions, documentations etc., that constitute the Ideal Type represent a formal expression of the ground rules of being a non-executive director. In a more general sense, Geertz (1975) refers to this formal expression as the control mechanisms, plans, recipes, rules, instructions, that govern behaviour. Being a non-executive director is not a rigidly rule bound activity in the sense that the statutory and other requirements laid upon it are only loosely framed - they are open to interpretation. Garfinkel (1967) comments about rules general-

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ly that they "have about them 'surrounding fringes' or 'outer horizons' which must be filled in by particular actors according to their practical concerns at the time." This is, of course, a general statement of the case. There are some (extreme) activities which are highly rule-bound, and where breaches of these rules are severely sanctioned. At the other end of the continuum there are situations where all is ambiguity, where the activity has to be constructed according to no particular ground rules. In many instances, one feature of competent organisational membership involves the ability to be able to discriminate between those ground rules that are significant (i.e. which are sanctionable) and those where any anticipated sanctions are outweighed by the utility - to the self/or the organisation - of breaches. This is a common feature of organisational competence because of the value placed in many organisations on the use of 'initiative', though, of course, this term itself is not an absolute, contains instructions (e.g. what, in that place, at that time given the circumstances, constitutes 'initiative'). We can suggest that one of the grounds for being an adequate non-executive director is the ability to discover what is/ is not important in the prescriptions he has available to him, to discover where 'initiative' is/is not appropriate.

This leads to our second application of the Ideal Type - that is

2)   Members' use of 'instructions' as interpretive

        devices. General organisation theory suggests

        that members <u>use</u> rules, by interpretations fill-

        ing in use of etcetera clauses (Garfinkel 1967) in

        order to fulfil their own purposes. This most

        clearly expressed in the concept of organisa-

        tional life as Negotiated Arena (Strauss et al 1964)

Dalton (1968) noted, in his research, his fascination (because of its

analytic import) with such features of organisational life as

> "... the gaps between official and unofficial ways of doing
> things... Some (members) were literalists in their inter-
> pretation of procedures, while some were paraphrasers." (p. 63)

Later he notes his interest in the way in which managers made notes in

the margins of sets of instructions. This exact type of occurrence is

unlikely in the case of non-executive directors because their role is

typically more diffuse and incompletely specified than that of the

industrial manager. At the same time, we would anticipate that the

non-executive director would as a matter of routine (or in times of

crisis) have recourse to this process of interpretations and reinter-

pretation of the ground rules. Such reinterpretations can occur out

of "experience" (which is, of course, an interpretation of reality),

out of contingency, out of desire to meet personal needs in the situa-

tion or whatever.

What we have done, then, is to analyse (a) members' theories and (b)

analyse the "official" theories of action that are <u>supposed</u> to apply

to these members. We take it that members' activities are not merely

automatic responses to situations: that they are grounded in members'

theorising and that members' theorising is grounded in their under-

standing of the nature of reality. By generating:

(a)   members' theories about the nature of the activity.

(b)   the 'official' theory of the nature of the activity.

and

(c)   areas of agreement/disagreement between (a) and (b) we have

recourse to analytic data on the nature of the role and

role relationships of the member at several levels.

3)   DATA COLLECTION

3.1   <u>Introductory Remarks</u>

The initial problem encountered by the researcher was that of trapping

the non-executive directors to be interviewed. The non-executive dir-

ector is (at least in relation to research endeavours) a shy and re-

tiring creature, with, generally, a dread of publicity and such a

pathological fear of committing indiscretions of any kind that, as the

promoters of surveys have noted, he is often reluctant to impart infor-

mation that can be read in 'Who's Who'. As we shall see later this is

in accord with members understanding that 'discretion' is a rational

feature in the assessment of member competence. It is a matter of int-

erest that hardly any of the non-executive directors interviewed were

prepared to introduce the researcher to their colleagues. One can

speculate that perhaps they feared their colleagues would regard them

as having behaved indiscreetly by agreeing to be interviewed, or per-

haps they feared that the researcher's objective was to obtain infor-

mation regarding their own competence as non-executive directors or

perhaps they did not wish to importune members of "the club" on whom

they depend for introductions and business. The fact that interviews

were drawn from such disparate sources was one means of ensuring that

they were a randomised selection of non-executive directors.

The non-executive directors interviewed were located by following up

all contacts available to the researcher, as well as publicity obtained
in managerial journals. They comprise members of academic institutions
who sit on company boards as non-executive directors, retired executive
directors of companies who continue to work part-time as non-executive
directors, professional non-executive directors whose entire income is
derived from this occupation, non-executive directors connected with
banking interests, and executive directors who sit on other company
boards as non-executive directors. A wide range of industries, and
of sizes of company, is encompassed in the employment record of non-
executive directors interviewed. In fact professional non-executive
directors can be expected to be involved with a wide range of indus-
tries at any one time, and many non-executive directors sit on the
boards of both multi-national corporations and very small local firms.
'Confirmatory' interviews were also conducted with persons connected
with the Institute of Directors, the C.B.I., and the B.I.M., although
these were used mostly as guidelines for the researcher and are rarely
quoted in the text.

3.2   The Interview Method

The technique employed in interviewing could be described as the 'semi-
structured' interview. That is to say, the researcher was armed with
a list of points on which elucidation was required, which will be re-
produced below. However, it never proved necessary actually to ask
questions on all points listed, since the information was generally
volunteered in the course of conversation. The list had, rather, the
function of a prompt sheet, providing topics on which to restart con-
versation when it lapsed.

Much information additional to the points listed was obtained, since
the researcher simply allowed the interviewees to discuss any issues

which they perceived as relevant to performance of their role. No questions were raised or interruptions made as long as the interviewee was content to continue talking. When topics arose which were unexpected or not covered in the interview schedule, the agenda of questions was abandoned for the time being, and the interviewee encouraged to discuss the new topic for as long as possible.

The list of points was originally constructed from study of the relevant documentary evidence together with some piloting on individuals interested in the research. It was modified slightly as the research progressed to cover those areas which appeared to be of greatest interest to the non-executive directors themselves. That is to say, the choice of issues dealt with was in fact determined by the issues which respondents were most inclined to discuss.

The interviews were taped when conducted, and subsequently transcribed verbatim for purposes of analysis. With regard to taping the interviews, it was found that in a majority of cases, while interviewees began talking in a guarded and self-conscious manner, very much with one eye on the tape recorder, and in some cases even exhibiting behaviour such as straightening their ties before beginning to speak, after a relatively short time they tended to forget that the tape was running and to talk to the interviewer in a more or less relaxed and natural manner. The taping of interviews was found to cause interviewees to exhibit far fewer signs of worry, irritation, or defensiveness than was the case if the interviewer was observed to be taking notes. Only in a very few cases did the interviewees appear to remain aware of the tape throughout the interview and to talk as if all comments were 'on the record' despite the extensive guarantees of confidentiality with respect to information on specific companies and persons.

3.3 Interview Schedule

1) How much influence do the non-executive directors have on the board, and what are the factors affecting it?

(How much influence do you yourself have and what is your role on the board?)

2) What were the reasons for the appointment of the non-executive directors to the board?

3) What are the effects of the relationship between board members, with regard to the amount of influence exerted by any of them?

4) What were your expectations of the appointment of non-executive directors to the board and of the roles they would perform?

5) How important are social skills to the job of being a director, and in what ways?

6) How easy is it to define where the real power lies in terms of decisions made by the board?

-What are the effects and how would you deal with them?

-How do you relate to this power source/sources?

-Does real power correspond to formal power?

-Where does power come from? - What gives a power holder his power?

(Some possible power sources which could be discussed are:

a) shareholding

b) information

c) judgement

d) relationships

e) composition of the board

f) experience

g) any agreement giving certain directors additional power

h) powers attached to a loan or overdraft)

7) How does the board make a decision?

-Is it a consensus? (Or a vote?)

-How is consensus reached?

-Power blocks - are they a myth?

       - how important are they?

       - how do they form and how do they work?

-Is it usual for a director's disagreement with a decision to be recorded in the minutes?

8)   Does the board ever act as a rubber stamp, i.e., are decisions reached outside the boardroom and ratified by the board?

It should be noted that at the beginning of an interview, direct personal questions tended to make most interviewees nervous and/or apprehensive. It was regarded as preferable to begin with generalised discussion of procedures and situations. The aim was never to harass or corner the non-executive director into providing information required, and if a question was asked, for instance about the operation of a particular board, which obviously caused the interviewee to become defensive or annoyed, the subject was quickly dropped and the safe generalisation returned to. The intent was to produce a conversational atmosphere rather than to give the sense of a 'formal' interview. This succeeded so well that in some instances the researcher obtained information on the financial difficulties of marital settlements, and on the drinking habits of director's colleagues.

In conducting these interviews, the researcher observed some repercussions from the fact that she was a female attempting to investigate an occupation which appears to be predominantly a male preserve. It is noteworthy that the pronoun used to describe the non-executive director was invariably 'he', and that no deference when reference was made to the collectivity was paid in this respect to the fact that the inter-

viewer was a female. Where no such deference is _ever_ shown, we can safely assume that members' gender for competent membership would be invariably male.

In most cases the interviewer was treated as a reasonably unintelligent schoolgirl doing a project. (In a few cases she was treated as an annoying interruption that would probably go away fairly soon if supplied with information.) The non-executive directors _instructed_ the researcher on the contingencies of performance of their role. Many interviewees actually explained to the researcher how the research work should be conducted (usually by large-scale survey methods). This kind of attitude, however, enabled the researcher to ask many 'naive' questions and to have these answered without any comment on their validity. It is likely that a male interviewer attempting this kind of prompting device would have met with a contemptuous response, and might have lowered his credibility to a point where the interviewee refused further co-operation. The avuncular, slightly patronising, attitude adopted to the female researcher had the effect of permitting an 'uninformed' approach to the interviewee, and of eliciting the information required in order to remedy the supposed ignorance of the researcher.

Using the 'prompt sheet' reproduced above, it proved possible in the course of the interviews to obtain a great deal of very varied information about the role relationships and role performance of the non-executive director, and about the host of different contingencies perceived by non-executive directors to affect the nature of their role and their behaviour in that role.

Concluding Remarks

Geertz (1975) distinguishes between "the object of study ..... and the

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study of it". This is a distinction onto which we shall hold. What he is suggesting is that when we describe any group – for example, in our case, non-executive directors – our description

> "must be cast in terms of the constructions we imagine (the social group under study) place upon what they live through, the formulae they use to define them." (Geertz 1975).
> (p. 15)

Our description is essentially a second order description, it is a scientist's description of their lives – only the actual role occupant can make a first order description as it is his life. However, if we are to generate this description we must, as Geertz suggests,

> "begin with our own interpretation of what our informants are up to and then systematize those". (p. 15)

So a test of sorts of our work would be that it would be insightful (analytical, systematized, more theoretical than the ad hoc rationalisation that these "men of affairs" customarily hold about their work) but would still recognisably – to them – capture the essence of their world.

But then, what is our entitlement to believe that "our interpretation" has any validity? There are several responses to this question. It can be suggested that special training as a social scientist, a demonstrable ability to collect data, an ability to analyse that material – generate descriptions of their activity – confers a special status. The work is not that of a novelist, generating moral propositions on material that is at best only partial data, nor that of a propagandist generating materials that are publicity for or against the non-executive director activity. Rather we are treating the materials we have access to with sociological indifference (Garfinkel and Sacks 1970). By this we mean that all the accounts we receive of their activities, whether from non-executive directors, commentators, journalists, theorists and so on are treated as accounts which give shape and meaning to our understanding of the way they structure their experience, the way

they account for the world in which they live. These accounts may be
seen as different in style and content but they are all accorded equal
status by us in our attempt to describe and analyse their experience.

We are aware that the above paragraph has the air of something of a
sales pitch for the activity of the social scientist - that there are
many traps and snares in any scientific activity in the search for ob-
jectivity, that membership of the collectivity "social scientist" in-
corporates many promises and problems. Yet it is an utterly bland
fact that the way in which we collect data, assemble descriptions, sys-
tematise those theories, hypothesise and theories are in crucial res-
pects different from, more concentrated than these activities as
commonly undertaken by the man in the street (Schutz 1971).

However, we do share an identity with the man in the street. What we
trade on is our ability to relate to, 'to communicate with others be-
cause they use similar mechanisms for interpreting the world.' Geertz
writing as an Anthropologist, suggests that:

> "understanding a people's culture exposes their normalness
> without reducing their particularity. The more I follow
> what (the group) are up to, the more logical and the more
> singular they seem. It renders them accessible: setting
> them in the frame of their own banalities, it dissoves
> their opacity." (p. 14)

If this is true of some (to us) obscure African tribe, it is much more
true of our collectivity. We approach them as strangers but are aware
of commonalities of identity. It is these commonalities of identity
that enable us to talk with them and more relevantly enable them to
talk to us. So it is that we understand much together - it is the
frame of their and our banalities, our world of common-sense. Ultim-
ately, as in all social science, our work is not just about that part-
icular group - non-executive directors - but is also about ourselves
and the world at large, although it is our firm objective to say some-

CHAPTER THREE

AS AN INTRODUCTION TO DETAILED EMPIRICAL DISCUSSION OF THE ROLE RE-
LATIONSHIPS OF NON-EXECUTIVE DIRECTORS, BOTH WITHIN THE COLLECTIVITY
AND IN RELATIONSHIP TO THE SENIOR MANAGEMENT WITH WHOM THEY WORK, THERE
WILL BE DISCUSSION AT A THEORETICAL LEVEL OF THE RELEVANCE OF ROLE
THEORY, WITH PARTICULAR REFERENCE TO INTERACTIONIST APPROACHES. THIS
DISCUSSION WILL BE RELATED TO AN EXAMINATION OF THE EMPIRICAL DATA ON
THE WAYS IN WHICH THE NON-EXECUTIVE DIRECTOR PERCEIVES HIS ROLE.

This chapter is intended to provide a brief examination of the empiri-
cal data derived from semi-structured interviews conducted with non-
executive directors, in terms of general consideration of the ways in
which the non-executive director perceives his role, and the relation-
ship of this material to sociological role theory. Because the chapter
is explicitly concerned with members' construction of role, it is not
concerned to justify cognitive or interactionist role theory or partic-
ularly attack other role theories. Rather, it is a demonstration of
how role theories can help to analyse data and also how the data illus-
trates the theory; there appears to be little benefit in indulging in
yet another exhaustive exploration of the concept of role and the uses
of role theory. This territory has been explored, very competently,
many times before. For the purposes of this research endeavour, it is
intended simply to examine the key themes, as they have emerged in
recent years, on the concept of role.

Let us, however, briefly provide a background to the development of
role theory. In the mid-thirties, the term 'role' became used to
suggest that conduct relates to certain 'positions' in society rather
than to the players acting these roles.

Mead (1934), from the perspective of the social psychologist, sought to link the functioning of social order with the behaviour of individuals making up the society. He examined the area where individual behaviour becomes social conduct. He viewed the self as a product of social inter-action and socialisation as the process by which roles are internalised.

Linton (1936) regarded a 'status' as a collection of rights and duties, and a 'role' as representing the dynamic aspect of status, the putting of the rights and duties into effect.

The use of the term 'role' was therefore seen as a worthwhile tool with which to deal with the abstraction which is "society". It enabled the social scientist to deal with 'society' as a stage, and the individuals composing the society as actors playing various parts in accordance with the expectations of their societal audience.

However, the issue of the use in sociological work of that set of concepts known as 'role theory' is traditionally a vexed one. It could be said that the term 'role' has been accorded, by sociologists, the same treatment that Humpty Dumpty in Alice in Wonderland accorded to words, vis, they meant whatever he said they meant. There has been extreme confusion over the use of terminology. The central concept of 'role' has been given widespread and divergent treatment, in a 'lax and confused way' (Nadel 1957 p 2). Nieman and Hughes (1951), Sargent(1951) Argyle (1952), Rommetveit (1954), Sarbin (1954), Bates (1956), Pierce (1956), Gross, Mason and McEachern (1958), Stogdill (1959), Riddle(1961) Thrasher (1961), Charters (1963), and Pugh (1966) have, amongst others, also voiced this complaint. Pugh particularly enjoins those writing on role to preface their work with definitions of the terms they are

using.

Levinson (1959 p 172) has defined three major usages of the term role, as follows:

1)   The actions of the individual as related to the social structure, i.e., the way in which someone in a certain position behaves, either in accordance with, or in violation of, the norms relating to his position.

2)   The 'structurally given demands' associated with a certain position.

3)   The members' definition of the part he plays in terms of a certain position.

He therefore outlines three major ways in which the concept of role is used: behavioural, normative and cognitive. Examination of these three understandings of the concept renders the following 'clusterings' of utilisation of the concept in sociological writing.

1) The behavioural aspect of the role.   This attempts to analyse the actions of the role occupant, relating back to Linton's concept of role as representing the dynamic aspect of status. Davis (1949 p 90) also regards role as representing the dynamic aspect of status, but the meaning he imputes to this is somewhat different to that imputed by Linton, as pointed out by Gross et al (1958 p 14). Linton regards role as comprising those behaviours which are incumbent on the actor to validly occupy his status. Davis, however, treats the concepts as relating to the actual performance of the status occupant, and in this respect he is in agreement with Newcomb (1950 p 330), who, however, uses somewhat different terminology in that he deals with the concept of 'role behaviour'. In this he is followed by Gross et al (1958 p 67) and Sarbin (1954 p 232). Sarbin uses the concept of 'role enactment' as validating or invalidating the expectations of others in any given

situation.

These minor differences in use of terminology fail to obscure the general agreement as to use of concepts in treating 'role' in its behavioural definition. The implication is that role performance will relate to the expectations of the 'role senders'.

2) <u>The normative aspect of role</u>. Kahn et al (1964) define role in terms of the expectations of others in related roles. Role is seen as a 'prescription' for performance presented to the role occupant by members of his 'role set'. Merton (1957 p 369) defines 'role set' as

> ' that complement of role relationships which persons have by virtue of occupying a particular social status.'

A 'role sender' would be defined as a member of the actor's 'role set'.

However, as Snoek (1966) points out, role sets may be widely diverse. They may incorporate a wide range of role relationships with many different varieties of 'role senders'. Kelly (1969) defined role senders as persons who could significantly affect the behaviour and attitudes of the role performer under analysis. Kahn et al (1964), on the subject of role performance in organisations, also saw a need to expand Merton's definition of 'role set'. It is pointed out that the actor may be influenced in his performance by persons unrelated to him in terms of organisational structure, such as members of his family or close friends. The actor's treatment and perceptions of environments will be affected by other normative pressures to which he has been exposed.

It can therefore be seen that, while Merton's definition is based on an analysis of structural phenomena, subsequent writers have tended to apprehend role set as being a variable related to the perceptions of

the actor. Thus, an actor's role set could be said to comprise those persons whom the actor perceives to be in such a relationship to him. Relating this to Gouldner's work (1957) it could be said that differences in perception as to which persons constitute legitimate members of the role set are at least part of the distinction made between 'cosmopolitan' and 'local' administrators.

So, to sum up, the normative aspect of role can be seen as referring to pressures, of varying divergence, which are brought to bear on the actor by relevant others. However, the persons _perceived_ by the actor to constitute these 'relevant others' will affect the actor's perception and treatment of his normative role.

3) _The cognitive aspect of role._ This relates to the members' definition of the part he plays and is, of course, dependent on the members' _perception_ of the part he plays. Eisenstadt, Weintraub and Toren (1967) have pointed out the essentially subjective orientation of the actor, in that his response to a sent role will be at least partially dependent on his perception of the sent role. Kahn et al (1966) distinguish between 'sent' and 'received' roles in making this point.

Levinson (1959) uses the term 'personal role definition' in arguing that the actor when confronted by a complex system of requirements related to a role, adapts _in his own way_ to the role. Such adaptive mechanisms will be many and various, since the personal role definition may involve a high or low degree of commitment and involvement on the part of the actor. Selznick (1957), Bendix (1956), Greenblatt, Levinson and Williams (1957), Reissman and Rohrer (1957) and Gross et al (1958) have all provided data to illustrate the fact that members of a given position often have quite diverse conceptions of what their

role should be. The individual's concept of his role will be influenced by a wide range of variables which will not necessarily be related to the organisation, or to the social context in which he is considered as an actor. The cognitive aspect of role, therefore, can be said to allow far more potential for conflict than other definitions, since it is essentially dealing with a subjective viewpoint.

A major problem with these three meanings of role is that, having defined and examined them, we are then faced with the fact that many writers treat the concept of role in such a way that all three definitions of role are subsumed into a generalised usage, and the writers move, either explicitly or implicitly, from one use of the concept to another.

Parsons, for example, uses all three meanings on different occasions, as follows:

1) He states that from the actor's point of view, his role is defined by the expectations of members of his group (Parsons 1945 p 230)

2) Role is said to be that 'organised sector' of an actor's orientation which defines his participation in interaction (Parsons and Shils 1957 p 23)

3) '... the status-role is the organised subsystem of acts of the actor...' (Parsons 1951 p 26).

Linton (1945 p 50) uses all three meanings in an all-embracing concept of role. He regards a role as including all the 'attitudes, values and behaviour' which society ascribes to the occupant of a particular status. Society, then, is seen as acting as arbiter, in that it provides for each status occupant a constellation of appropriate attitudes, values and behaviour.

It should be pointed out, and in fact, it is pointed out by Levinson (1959) and Goffman (1961) that the three definitions quoted above are not necessarily even related, since the personal attributes of the individual actor are liable to intervene between the organisational or societal expectations related to a given role and the individual actor's actual performance in that role.

Closely related to the cognitive aspect of role in its attention to subjective interpretation is the interactionist perspective on role. This perspective is probably of most value in this research because of its emphasis on the way in which the role is in part self-generated (i.e. a subjective interpretation of phenomenon encountered by the member) and is also generated for the member by others in the situation, such that many aspects of role performance are a topic for negotiation.

We have already mentioned Goffman's location of role within the situated activity system. He further comments that the traditional concepts that make up role theory contain within them a certain limiting quality and suggests that ' a more atomistic frame of reference' (1972 p 84) should be used. Where there is a normative framework for a role, there will be complex forces acting on the individual in that position. There may be a 'typical' role, in that individuals in a given position may typically respond in a certain way. However, the typical role is likely to deviate to some extent from the normative role, despite the general tendency in social interaction to define what is ' usually' done as what 'ought' to be done. There is also likely to be a difference between typical role and 'actual' role, since individuals occupying the same position will be likely to have a variety of different perceptions and definitions of what their situation is (p 82). It is suggested that:

'When we study role we study the situation of someone of
a particular analytic category, and we usually limit our
interest to the situation of this kind of person in a
place and time...' (p84)

Cicourel (1973), while allowing that Goffman's approach to role theory

gives us greater insight into the kind of everyday events which permit

the social scientist to begin to generalise about process and struc-

ture, critisises his work on several points. He feels that, while the

assumptions made by Goffman about the ways in which social interaction

occurs are 'substantively appealing', he fails to define analytic cat-

egories which deal with the way in which the observer's perspective

differs from that of the actor, and how these different perspectives

can be reconciled. He also feels that Goffman's descriptions are

'prematurely coded', that is, Goffman makes certain implicit assump-

tions in the way that he presents his data, which the reader is expec-

ted to take for granted. The way in which he reaches his perspective

as observer remains unexplicated (p23-24). However, as pointed out by

Cicourel (p26) the critical feature of role, as discussed by Goffman

and others, is that it contains an element of construction, by the

actor, in the course of interaction. Role is seen not simply as con-

formity to a set of externally constructed rights and duties attached

to a position. The actor has the capacity to construct different

types of performances to suit different situations. The performance

of a role contains creating and modifying elements as well as conform-

ing elements. Role behaviour can be seen as always tentative, and

being continually tested and modified in the course of interaction.

Cicourel also considers (p27) that the use of abstract theoretical

constructs such as role actually make it more difficult to examine and

analyse the 'inductive or interpretive procedures' by means of which

actors produce role performances which others regard as 'role behaviour'.

He points out that unless we examine the actor using a conceptual

framework that takes such procedures into account we cannot examine

the ways in which various behaviours are recognised as 'role taking' or

'role making'.

For much of the rest of this chapter material will be dealt with

roughly in accord with some of the key concepts used in the interaction-

ist perspective on role. This serves the purpose of (a) giving the mat-

erial some analytic framework and (b) providing from the data, a crit-

ique of some aspects of that analytic framework.

Members' Creation of a Multiplicity of Role Definitions:
Who does the Non-Executive Director Represent?

As an example of the ways members arrive at their own, differing, per-

ceptions of the nature of the role they play, let us take as an example

the convention by which the non-executive director is regarded as the

'shareholder's watchdog' on the board. The question obviously arises,

who do the non-executive directors themselves feel that they are rep-

resenting? One can perhaps suggest that in some situations the non-

executive director feels himslef to be representing merely his own

interests, or perhaps the interests of both himself and other board mem-

bers, or the 'legitimate objectives' of all participants in the company

rather than those of the shareholders alone, in other words, that there

will be considerable diversity.

The Board as a Game

One non-executive director interviewed suggested that the reason that

roles played by any director may be widely diverse and difficult to pin-

point is not simply because each board encapsulates a different range of skills and duties, but because the board is 'an organism, a family, a community or a kingdom'. It is 'an organism with many different genes'. He suggests that each board differs depending on the mix of skill, power personalities, environment, groupings within the board, and:

> '...the wishes of the person who created it, or pulls the strings, if there is one, and there generally is.'

He suggests that, to some extent, 'a board is a game'. Each board sets its own rules, within certain limits., and if you want to play (join) you play according to their rules, whether you like it or not. It may be that in the course of time you can influence them to change the rules but in order to do so, you must begin by accepting them. He cites an instance of a company for which he works which he maintains is run 'to make money for the executives'.

This may be an instance of one man's unduly cynical approach to the business of acting as an outside director. However, to consider each board as a different 'game' with different 'rules' is certainly one way of reconciling the various conflicting standpoints of non-executive directors interviewed with regard to precisely who they are representing.

This view of business activities and role occupancy in terms of game-playing, is , interestingly, in accordance with some views expressed by Long (1958). He contends that:

> '...the structured group activities that coexist in a partic-
> ular territorial system can be looked at as games. These
> games provide the players with a set of goals that give them
> a sense of success or failure. They provide them determinable
> roles and calculable strategies and tactics.' (p 252)

The suggestion is that almost all activities can be analysed as 'games' with their own'rules', and that there is evidence to suggest that the participants in various structures do actually regard their activities

as analogous to 'game-playing'. This is to some extent borne out by the remarks of the non-executive director quoted above.

Long suggests that man is both a game-playing and game-creating animal and that an understanding of his ability to create games and play them with deadly seriousness is essential to an understanding of many, if not all, societal mechanisms. Games are in no way to be seen as trivial since it is only through playing games, or involving himself in activities analogous to game-playing, that man can achieve 'a satisfactory sense of significance and a meaningful role'.

The ability to understand the behaviour of an individual therefore depends on having the ability to understand the game in which he is involved.

> 'If we know the game being played is baseball and that X is
> a third baseman, by knowing his position and the game being
> played we can tell more about X's activities on the field
> than we could if we examined X as a psychologist or a psy-
> chiatrist. If such were not the case, X would belong in the
> mental ward rather than in a ball park.' (p.252)

The discussion of baseball is merely an analogy. It is stressed that the concept of game-playing is in no sense a frivolous one. The games we are concerned with are the political game, the banking game, the newspaper game, and so forth. For the purposes of this research perhaps we are concerned with certain aspects of the 'boardroom game'. Our concern now is to explore a number of the definitions that non-executive directors give to the nature of the 'game' in which they are engaged and through that definition   the sorts of role they expect they are to perform within that game. In terms of members' definitions we shall move from tightly constrained views of the nature of the role to definitions which emphasise high degrees of flexibility in role performance legitimated by the member's understanding of what part of the extra-

organisational and organisational 'world' he is representing.

The Legalistic View

Starting at what might be considered one end of the spectrum of view-
points regarding interests represented, in one interview a very legalistic
view is taken of the role of the non-executive director. (The nature of
the legislation relating to directorships, such as there is, will be dis-
cussed below.) This interviewee states:

> 'On a board, each and every director should be individually
> and collectively responsible for everything the board decides.
> It should not be a question of particular interests being
> represented by particular people. The law says each director
> has equal responsibility for taking decisions in the best
> interest of the company.'

As will be discussed later, the non-executive director, as such, has no
legal status. He is simply a director like any other director. The view
taken above, however, would appear to represent a very idealised concept
of how boards operate. It is a view of the boardroom with the human ele-
ment totally removed. We do not appear to be dealing with real individ-
uals, or contending with the personal issues and attitudes of these indiv-
iduals. We are not concerned with their preoccupations about money, power,
status, feelings of social conscience, feelings of responsibility to other
people or institutions, and so on. What we are looking at is effectively
a robot-operated boardroom with no element of human interaction interfer-
ing with the perfected processes of decision-making. This interviewee goes
on to expand this viewpoint as follows:

> 'The entire board is the shareholder's watchdog, so there is
> no need for this as a particular or exclusive function of
> the non-executive director. The law says that all directors
> should have regard to shareholders' interests. If a company
> is a decent company, then it will have regard to a lot of
> other interests besides the shareholders: the employees, the
> customers, etc.'

We are given to understand that, since all directors should be properly

cognisant of, and obedient to, the requirements of their legal status, the shareholder is, per se, in no need of any kind of special representation. His interests will in any event be regarded with loving care by all and sundry. However, we have also been given to understand that 'decent companies' will give consideration to a whole range of other interests, whether or not they are legally obliged to do so. In fact, we are now talking about the protection of the legitimate objectives of all participants in the company, not only the owners, the shareholders. This is presented as a desirable, but not strictly necessary, gloss on the correct legal performance of the idealised board. The protection of these other various interests defines a company as being 'decent' rather than simply 'correct'. In either case the non-executive director is not seen as being possessed of any special remit. His role is described as being simply to bring 'experience of other companies and other industries, or other specialist experiences' into the company.

The Long-Term Interests of the Company

Turning to another interview, the non-executive director concerned here also seemed not to view himself as specifically representing the interests of the shareholder. He comments:

> 'All the B.I.M. stuff will push out how you're meant to be representative of the shareholders - I don't think really - I mean this is true, it is, from time to time you feel that certain decisions really are against the long-term interests of the company and you will argue for it...'

The suggestion that the non-executive director does not see his role as specifically that of representing the shareholders is perhaps inferential, but quite strongly inferred. He is concerned with protecting the long-term interests of the company, which could be construed as protecting the interests of the shareholder in any event. However, he does not perceive

himself to occupy the role of shareholders' watchdog. He appears to
regard the efficient operation of the company to be an end in itself,
rather than as an activity designed to benefit and succour shareholders.

The Watchdog Role

This understanding of the role is one that emphasises the complexity of
the game. Thus one non-executive director interviewed comments that:

> 'The director, in effect, is responsible to no-one... Our
> system is not very good, it is possible to exploit the system
> and therefore it is unstable.'

The point he is making is that although the company's shareholders are
the nominal owners, the nominal source of power within the company, it
is, in fact, generally impossible for them to utilise their power.
Shareholding is often fragmented and so shareholders are unable (and
often unwilling) to combine to exercise power. Even where institutions,
such as insurance companies, pension schemes, etc., have considerable
shareholding in a company, they are not prepared to exercise any influ-
ence over that company. They may ruin a company by 'dumping the shares'
but they do not see themselves as having any responsibility for the
long-term prosperity of the company.

This non-executive director, however, having taken all this into con-
sideration, says:

> 'I have a watchdog role. This is a self-imposed role, since
> there are no requirements for a watchdog. This is not gen-
> erally something that is wanted, but it is needed.'

He feels the shareholder should be protected in spite of himself. Although
most shareholders are not in fact interested in being represented on the
board, he still feels that to represent them is essential to his role as
non-executive director. This may not be a process that is pleasing to

way dissatisfied with the conduct of a business, this dissatisfaction
will communicate itself to the owners, the shareholders, who may then
start processing their representatives, the directors, accordingly.

The 'Mandated Director'

In yet another interview, the non-executive director regards such non-
executive directors as do in fact represent shareholder interests as inev-
itably being representative of the interests of <u>one particular</u> shareholder.

> 'They're almost mandated by the shareholders - I'd call them
> mandated directors.'

He regards the 'mandated directors' as being a curious sub-species of the
genus non-executive director. The 'proper' role of the 'normal' non-
executive director is 'to help the process go along'. This viewpoint
seems to be along the same lines as that expressed in the interview quoted
earlier, that the real business of the non-executive director is to enable
the company to operate more efficiently, and to enable 'better' decisions
to be reached in the boardroom. This process is perceived to be an end in
itself and not <u>specifically</u> designed to benefit shareholders. The non-
executive director representing a specific shareholder or group of share-
holders is described as follows:

> 'The shareholder representative is there with an axe to grind.
> He's there to keep an eye on the dividend, or figure out
> whether the chairman's any good or not. It depends on who
> put him there really.'

It can be seen clearly that representing shareholders, to this non-execut-
ive director, means only representing one specific shareholder or group
of shareholders. It is representation of a specific interest on the board,
and as such not all that respectable as an activity. There is no percep-
tion that the role of non-executive director is concerned with the repres-
entation of <u>all</u> shareholders' interests but rather these 'mandated

directors' are described as being there 'as spies', that:

> 'They will be non-executive directors with a specific remit
> - to come back and sneak.'

Use of terminology such as 'axe to grind', 'spies' and 'sneak' suggests strongly that this non-executive director sees that performance of the role, that mode of interpreting the rules of the game, as a dubious type of activity, and for a director to behave in the boardroom as the representative of one specific interest group can be perceived as 'incorrect' behaviour, if we simply have recourse to the legalistic view of how boardrooms should operate, referred to in the first interview considered. It is, however, interesting that there is no perception of the 'proper' non-executive director as safeguarding the interests of all shareholders. The shareholders are only referred to in the context of the 'mandated directors'.

The Long-Term Interests Of All Participants In The Company

A very different view of the non-executive director's responsibilities in this area is expressed by another non-executive director interviewed. He states:

> 'Certainly, I think, from the point of view of the share-
> holders, it's nice to know that one, two, or three men,
> whatever the number may be, who are independent, are trying
> to look after the general interests of the company...'

Here we have the same perception of the non-executive director as concerned with more efficient performance by the company as a consequence of improved decision-making in the boardroom. Here, however, this is perceived to be a benefit to the shareholders, it is 'nice' for them. The non-executive director, in fact, perceives himself as looking after the business in a responsible and efficient way at least partially because this benefits the shareholder. Also, this non-executive director is a man with

a social conscience. Protecting the interests of the company:

> '...goes much wider than that of the shareholders, it includes
> the people, as it were, who live round the factory, it obv-
> iously includes the people who work in the factory as well as
> the shareholders, and, incidentally, the people who've lent
> money, the merchant bank or whatever organisation has lent
> the money, I would hope sleep better by feeling that there
> are two or three people who are making sure that the money
> is being looked after in a proper way.'

So, he sees himself as having responsibility for all these different
interests, not only those of the shareholder. He is the independent man,
the man of conscience, who ensures that businesses in which he is involved
conduct themselves along 'proper' lines, that they look after their money
'properly'. His sense of responsibility extends directly into the comm-
unity, as well as the company as a whole. He is concerned with the
'people who live round the factory' as having a valid interest in its
operation which he has a duty to respect and to represent.

> '...I don't see these days that any board of directors can
> just say, well I must look after the shareholders' interests.
> I think he's got to say, well I have their general good -
> the difficulty is, if you've got a problem of priorities,
> which one are you going to put first, whether it's the emp-
> loyees, who've invested their life in the company, the peop-
> le who've invested their life savings in the company, the
> people who live round about, I'm thinking about things like
> pollution, well there could be a conflict of interests...'

This is taking a very wide view of the responsibilities of the non-execut-
ive director. It would appear, from the rest of the data, to be an
abnormally wide view, and could perhaps be said to represent the opposite
end of a spectrum of viewpoints to the very legalistic definition of the
duties of a non-executive director with which this discussion was initiated.
The shareholders are certainly one interest group which must be protected,
the non-executive director must have 'their general good' at heart.
However, it would seem that, as well as this, he is responsible to almost
everyone in any way connected with the business, and this appears to be a
genuinely felt responsibility. The non-executive director must balance all
these interests, and one feels he must give all of them equal weight. The

sense of having a specific remit to protect all these potentially divergent interests may well impose a certain amount of strain and uncertainty over and above what a non-executive director might normally be expected to experience in the course of performing his role.

Having examined the available data on the non-executive directors' perceptions of his relationship to shareholding, and various other interest groups, the conclusion we can draw is that each non-executive director is likely to have a somewhat different view of the precise nature of his responsibilities, although there are a number of undesputed commonalities. Within each company and within each boardroom, the climate will be, to some extent, unique. Therefore the response of individual non-executive directors to individual climates is very likely also to be unique. Even if we were to make an extreme assumption, that all boards are very similar in character, it can be seen that each individual's <u>perception</u> of his situation is still likely to be different. The data on non-executive directors' perceptions of those to whom they are responsible could be seen as an illustration of this phenomenon. The non-executive director as a definer of his own role can be perceived to be in operation in this respect.

<u>The Formal Requirements Laid Upon The Non-Executive Director: A Question Of Status?</u>

It might be of use at this point to deal with the concept of 'status' as distinct from the concept of 'role'. The two concepts are essentially interdependent, but by no means identical. Status could be said to be the structural aspect of role. It is:

> 'a position in some system or pattern of positions and is
> related to the other positions in the unit through recip-
> rocal ties, through rights and duties binding on the incum-
> bent.' (Goffman 1961 p75)

Role, as we have discussed above, is the dynamic aspect of a position, while status represents the static aspect. Such a view is in accordance with Rommenvett (1954) and Merton (1957), status being seen by them as the actor's location in a system of social relationships.

Parsons (1951 p23) sums up the distinction between role and status, in accordance with earlier definitions by Mead (1934) and Linton (1936), by saying that, while role is that 'organised sector' of an actors orientation which defines his participation in group interaction, it also involves 'a set of complementary expectations' about his actions and those of others with whom he interacts.

A certain amount of confusion arises from the use by certain writers of other terms to describe the concept of status. Newcomb (1950), Gross et al (1958) and Sarbin and Allen (1968) use the term 'position' to describe a location in a social system. It is claimed that the term 'position' as opposed to 'status' is free from connotations of rank and prestige. Kahn et al (1964) and Biddle and Thomas (1966) use the term 'office' to describe a particular organisational location.

However, examining the meaning content of these alternative terminologies, it appears that they are attempts to define the same concept. The differences are basically semantic rather than substantive.

We could say, therefore, in relation to this research endeavour, that 'status' is 'being a non-executive director', whereas 'role' relates to adequate performance of the part of non-executive director. The appointment to a non-executive directorship gives the individual the 'status' of non-executive director. The 'role' of non-executive director is

concerned with his attitudes and behaviour in the boardroom (and possibly elsewhere).

The legislative constraints on the non-executive director could be said to define the status, the structural aspect of the role. However, what we shall hope to demonstrate in that whatever definition of the status we examine we find matters ommited, glosses and other areas in which interpretation for everyday performance of the role take place. That is, these assignments of status are essentially vague but not so vague that they cannot be referred to as 'courts of appeal'.

The first point to make on this subject is that, in law, the non-executive director, as such, has no existence. All directors have equal power and responsibility. The distinction between executive and non-executive directors is merely a convenience, descriptive of whether the information the director brings to the boardroom comes from within the company or from outside. We must therefore consider merely the status and duties of directors generally. The powers and duties of a director are derived primarily from the company's memorandum and articles of association. The memorandum simply states the company's name, sets out the objects and powers of the company in general terms, and specifies the intended capital structure of the company. The articles of association specify the way in which the affairs of the company will be managed. They provide for voting rights, appointment and dismissal of the directors and secretary, and distribution of profit and assets. There will be detailed provision for calling of meetings, issuing capital, transfering shares, making alterations to the memorandum and articles, etc. Some of these items are mandatory under the Companies Acts, e.g. the holding of an A.G.M.

Pennington (1973) states that since our law does not regard certain powers as managerial and therefore inalienable by the board, the board's powers can be as broad or narrow as is required. However, the tendency of modern articles is to confer on the board all the powers of the company excepting those which the Companies Acts require to be exercised by all members of the company in general meeting.

The Companies Acts provide very little guidance as to the nature of directors' duties, beyond formal requirements as to the holding of periodic meetings, the keeping of accounts, and so on.

Hadden (1972 p76) suggests that, while the general function of a director is obviously to manage the company's affairs to the best of his ability with a view to making a profit for the shareholders, to do so, he must adopt a number of potentially conflicting roles. It is suggested that the two most important of these are 'the director as trustee' and 'the director as businessman'.

To examine the role of 'the director as trustee', it is necessary to consider the position of a director, managing a company on behalf of its owners, the shareholders, as analogous to the traditional concept of a trust. Briefly, trust property must be managed by the trustees exclusively for the benefit of the beneficiaries. The trustees must maintain a proper balance between ensuring a reasonable rate of capital appreciation of the trust property and providing a regular income from it. The trustees may not indulge in any kind of speculative venture, neither may they involve themselves in the affairs of the trust in such a way that their interests may conflict with those of the beneficiaries. Thus, the trustee must account to the trust fund for any personal profit he acquires from

his position as trustee.

On the question of how these standards may be applied to company direct-
ors, there is, at any rate, no doubt that directors are required to
account for any personal profit which they make in their capacity as
directors in the course of the company's business. However, the extent
to which directors are expected to account for personal profit made in
circumstances where their company could not have profited is less clear.
The trusteeship concept is applied in some cases and not in others. The
object of the law is not to prevent personal profit but to safeguard the
interests of the shareholders.

Considering 'the director as a businessman', we can see that the analogy
between directors and trustees is not directly applicable. In the man-
agement of commercial ventures risks may have to be taken which would not
be legally permissible for a trustee. The courts are reluctant to inter-
fere with what are essentially matters of business judgement. Directors
in the performance of their duties do indeed stand in a fiduciary relat-
ionship to their company, but beyond this the analogy with trusteeship
ceases to be applicable.

Instead, there are minimal requirements laid down by the courts on the
subject of honesty and effort. Directors are not normally required to
exhibit a greater degree of competence than that which can reasonably be
expected of them, having regard to their knowledge and experience.
Directors cannot be held liable for 'mere errors of judgement'. Hadden
(p81) suggests that 'the director must do his honest best, but is not
required to be competent'. The exceptions to this reasonably sour sum-
ming up of the duties of directors are to do with the preparation of

prospectuses and annual accounts, where specific statutory duties of reasonable care are applicable, and to other types of statement by directors on company affairs, where duties are imposed at common law. Hadden (p81-82) suggests that:

> 'The refusal to impose a professional duty on company directors applies only to their exercise of business judgement in the employment of their company's resources with a view to profit'

However, with all due respect, this 'only' clause would appear to be a very large one. In fact this might tend to support the statement made by one non-executive director quoted above, that:

> 'The director, in effect, is responsible to no-one.'

So, to summarise, we may simply say that the director stands in a fiduciary relationship to his company, and that he must do his honest best in the conduct of his company's affairs, with regard to securing profit for the shareholders.

In addition to the rather flimsy framework of legal responsibilities applicable to all directors, there is a body of prescriptive data dealing with the competent performance of the role of non-executive director in the form of journal and newspaper articles written both by non-executive directors themselves and by various commentators on their activities. This data is discussed at considerable length in chapter 4 below. It is sufficient here to suggest that the existence of such prescriptions for 'correct' role performance may well be part of the 'sent role' of non-executive director. The non-executive director will in all probability be cognisant of these prescriptions. He may 'internalise' them as defining competence, he may reject them, he may indulge in selective interpretation of the meanings they encompass, but they can still be considered as part of the 'role-taking' aspect of the construction of the role of the non-executive director.

Negotiated Role

We have in this chapter considered on the one hand different interpretations of the role, diversities of 'position' to be taken in understanding the 'game' of non-executive director and on the other hand some of the legalistic prescriptive and structural constraints that provide the ground rules within which the positions can be either legitimated or rebutted. These we have differentiated by reference to concepts of 'role and status'. We can extend and integrate this discussion, however, by an exploration of the interrelationships between 'role taking' (that is considerations of the status aspect of performance) and 'role making' 'that is the interpretive aspect of role performance) in terms of the role being one that is negotiated between members of the collectivity and collectivity members and role-set members. Indeed we shall discuss later that the constitution of the role-set is itself a matter of negotiation.

For consideration of the concepts of 'role taking' and 'role making' we turn to the work of Turner (1962). Turner believes that there is a large element of construction in role performance. The individual is by no means merely acting out a set of prescribed behaviours. He maintains that the 'taken' role may, in fact, lack distinction and clarity, although the actor may not believe this to be so. As the actor attempts to make various aspects of the role more explicit, he is, in fact, creating and modifying the role as well as explicating it. There is therefore an element of 'role making' as well as 'role taking' contained in the process. He says that:

> 'The idea of role taking shifts emphasis away from the simple
> process of enacting a prescribed role to devising a performance
> on the basis of an imputed other role.' (p23)

The actor does not just occupy a position for which there are a pre-
determined set of rules. He must try to interpret his interactions with
relevant others to identify the nature of their roles and of his own.
Since he can only infer the role of another and not know it directly, he
is continually testing inferences about the other's role. Consequently
his own role definition will always be tentative, since this is partially
dependent on the way others define his role.

We must also take into account the expectations of the non-executive
director's fellow-directors as a constraining factor on the construction
of the non-executive director's role. There will be detailed discussion
in chapter 5 below on the creation and maintenance of adequate relation-
ships with other board members, and the implications of such relation-
ships with regard to competent role performance by non-executive
directors.

The non-executive director will not be permitted to even attempt perform-
ance of the role if he is seen by his prospective colleagues as being
too far removed from their expectations of what a non-executive director
should be like.

Also, it is necessary to consider the reasons for which non-executive
directors are appointed. If a non-executive director is required to
fulfill a particular function, overtly or not, then one would imagine
that the non-executive director appointed will be a person conforming,
at least to some extent, to the requirements. As one non-executive
director described it:

> 'If the guy (the chief executive) wanted some kind of sycophantic
> relationship, then I'm sure that's what he'd get, if you appoint
> the right guys for sycophany, then you get sycophancy.'

One can imagine that this is indeed so. If a non-executive director
appointed for his sycophantic qualities should turn out, after taking

up his appointment, to be argumentative, assertive, interfering and independent, one feels that this would not augur well for his continued presence in that boardroom.

This process, or at any rate a similar one, is described in another interview.

> 'It is always put down, in the press statements which go out, it is always said that they are taking on additional non-executive directors to add weight to the board, provide contacts for the industry, influence, and so on. That is pie in the sky, they are building up votes, or influence, within the boardroom just as sure as they're lobbying in the senate, there's no difference.'

Another non-executive director, discussing the unspoken as opposed to the official reasons for appointment of non-executive directors, suggested that some of these might be:

> 'The person who appointed or nominated him wanted a friend and supporter to vote for him; or to make the numbers up so they can say they have a board; or to do a favour and pay a little fee to a friend.'

In part, this is a description of the non-executive director recruited to put his vote, or at any rate his influence, at the disposal of some particular faction, or shareholding interest, in the boardroom. One feels that a non-executive director appointed on such a basis would have to be aware of this, and one feels that should such a non-executive director start voting the wrong way, or supporting alternative interests his career might also be foreshortened. This is, perhaps, the recruitment of non-executive directors as 'voting fodder', an interesting enough phenomenon in its own right in terms of the stereotype of the non-executive director as the 'independent man'. A non-executive director appointed on this kind of basis would undoubtedly be under heavy pressure, of one kind or another, not to deviate too far from the expectations of those responsible for the appointment.

One non-executive director interviewed discussed this kind of difficulty

with regard to accepting appointments, as follows:

> 'A good friend of mine went to work for Company X as finance
> director. He got involved in a major squabble on policy. He
> asked me if I would sit on the company's board. I met the
> chairman, and he also asked me, formally, if I would sit on
> the board. So two people were making the request, for two
> different reasons - the finance director wanted an ally in
> the boardroom, the chairman wanted a neutral outsider. I
> refused, because the situation was so difficult. There are
> limits to the political influence of the non-executive
> director, and you can't play both sides against the middle.'

Here we have what is really a classic instance of the (potential) non-executive director caught up from the very beginning in a conflict of expectations and interests among his peers. Had he in fact taken up the appointment he would obviously have been in a position of excruciating difficulty, because he could not have met both the sets of expectations which were operating to have him appointed.

These comments on the appointment of non-executive directors and the expectations surrounding the appointments might be said to represent extreme instances of constraints being placed on the role. They do, however, serve as evidence that constraints of various kinds may well be imposed on the non-executive director by his fellow-directors. His role may well be laid down for him, at least to some extent, before he takes it up. Other non-executive directors interviewed have discussed the fact that where a non-executive director is appointed the reasons for his appointment and the expectations of the board with regard to him, will be very clearly made. Take this example:

> 'If we talk about this engineer that Company R are about to
> employ, we wouldn't take him on as a non-executive director
> unless we'd explained to him why we were taking him on, and
> so he would know before he came in through the door, that
> what the rest of the board would be looking for from him was
> the breadth of his knowledge and experience as an engineer.'

So this is a (putative) non-executive director with a role, to some extent, created for him prior to appointment. His function is to feed his engineering experience into the cut and thrust of boardroom debate.

However, the point is also made that:

> '...it doesn't mean that he would have any right to make
> a nil contribution in other areas.'

He must still have equal responsibility, with the other directors, for
all areas of company policy, and for all decisions made. If, for in-
stance, the accounts prove to be incorrect, or someone has been indulg-
ing in some kind of malpractice, he will, and ought, to be held equally
responsible as any other director.

> 'It's not good enough for him to say he doesn't understand
> that bit...'

So here, although this non-executive director's role is to some extent
structured by his colleagues, it is by no means totally so. If the non-
executive director is felt by other board members to have a total res-
ponsibility for all decisions, then he must also have a considerable
amount of freedom in terms of undertaking this responsibility, in other
words, he has potential for a large element of 'role making' in his new
position. This might be taken to represent a more typical pattern of
expectations confronting the newly appointed non-executive director.
In other interviews, the same kinds of views as to responsibilities and
duties are expressed with regard to non-executive directors, and while
differing expectations will, of course, produce differing constraints,
most non-executive directors do find themselves with quite large amounts
of room for manoeuvre.

Role Distance

Goffman discusses at some length the concept of 'role distance'. This
term:

> '...is not meant to refer to all behaviour that does not
> directly contribute to the task core of a given role but
> only to those behaviours that are seen by someone present
> as relevant to assessing the actor's attachment to his
> particular role and relevant in such a way as to suggest
> that the actor has a measure of disaffection from, and

resistance against, the role.' (p95-96)

To judge from the examples Goffman uses, role distance may arise from supreme competence at role performance, so that the actor can, while behaving in a totally competent manner, do so quite effortlessly, and indulge in joking or horseplay at his own expense to indicate that he is not totally attached to the role. Surgeons performing major operations are instanced as examples of this kind of role distancing.

Role distancing may also arise where the actor does not feel himself to be a competent performer of the role. By turning role performance into a joke, he is providing himself with room to manoeuvre and avoiding the consequences of being seen by relevant others as having performed incompetently. Goffman instances the behaviour of girls unaccustomed to horseback riding attempting this activity.

However, with regard to this research endeavour, the researcher has not observed the mechanism of role distancing to be in operation amongst non-executive directors. There is no data to suggest that the work of the non-executive director is ever treated disrespectfully by the role incumbent. Being a non-executive director is always perceived by non-executive directors to be a very serious activity, and as such, deserving of serious treatment. Any joking about the role or discussion of malpractice within the role is always directed at someone else, another non-executive director, never at the self. Instances of this are discussed in more detail in chapter 4 (below), but for the purposes of this chapter it is sufficient to say that, on the basis of the data collected, non-executive directors, as an analytic category, could be said to display complete attachment to their role. This does, of course, give one a basis on which to express doubt as to the universal applicabilty of the concept of role distancing as defined by Goffman. While there may

be a great many situations and occupations in which the actors have recourse to role distancing, we beg leave to doubt whether the actors in all roles will have such recourse, since it appears that the actors occupying the role defined as non-executive director do not.

Socialisation Into Role

Goffman makes the point that role performance is a learnt activity. The performer is subjected to a process of socialisation which enables him to become increasingly competent within the role, and to increasingly comprehend the requirements for competent performance.

Discussions of the expectations of the non-executive directors colleagues, both executive and non-executive, does, of course, also have a bearing on the ways in which the non-executive director is socialised into his new role. If a non-executive director is given a clear explanation of the basis on which he is being appointed, the types of expertise, influence, intervention, etc., that are expected of him and the kind of general contribution that he is expected to make, this can be taken as a means of enabling him to at least begin to 'learn' the role. It should also be born in mind that the process of appointing a non-executive director will often be a slow one, allowing ample time for the beginnings of socialisation into the role:

> '...the whole board would generally have to meet the candidate and agree to the appointment. One might expect that the time for deciding on the appointment could be from six months to two years.'

It was stated in one interview that:

> 'At the selection stage there should be an exchange of expectations... The non-executive director should find out - and the board should brief the non-executive director.'

The new non-executive director should firstly define for himself what his new role and status entails, and should then discuss, firstly with

the chairman, and then with the other directors, how they expect him to
perform his role.

It is also implied in several interviews that the non-executive director
goes through a gradual process of socialisation after taking up his ap-
pointment. He may begin his work as a non-executive director on the
basis of listening, learning, picking up information and absorbing the
organisational climate, without making much positive contribution to
the decision-making processes of boardroom interaction.

> 'You see, when I first joined, I felt very, very, underworked.
> I felt, "I'm a director now, I ought to be really busy, and
> I'm not." '

There seems to be little tolerance of 'mistakes' being made by non-
executive directors, in terms of judgements which turn out to be 'wrong'
opposition recorded to decisions which turn out to be 'right', etc.
This will be discussed in detail in chapter 6 below, but taking this to
be the case, it is understandable that the new non-executive director may
feel himself to be 'underworked'. This might easily be part of a ration-
alisation of the need to build up a solid information base and under-
standing of his role before attempting any positive intervention.

> 'I mean, I went through a stage where I thought, "am I
> really justifying my fee?".'

So the non-executive director, when newly appointed, is perhaps pre-
occupied with understanding his surroundings, 'learning' his role, deter-
mining what the parameters are, both formal and informal, which governs
his activities. However, once the non-executive director has acquired
an understanding of his role, its nature and limitations, it seems that
his activities within the role become more active and vigorous:

> 'I find that I am probably on the phone on Company A business
> every day... I feel more involved now.'

There are several instances of this kind of implication embedded in the
interview data. Another, fairly direct, example is as follows:

'I am the longest serving director on the Company X board
bar one. I know the company better than most of the
executives, but I have a different perspective on the
company's affairs. Over time, I have come to have a more
positive approach to the board, and my influence has in-
creased with my knowledge...'

The socialisation process seems to be informal, and to be developed over
time. The non-executive director appears to progress from observing,
listening, and developing an understanding of what is required of him,
to making a positive contribution to boardroom process.

Competence In Role Performance As A Negotiated Concept

The development of the role of any particular non-executive director is
discovering what is expected of him, his colleagues will discover what
to expect from him. The end product, the 'competent' non-executive
director, is the result of an interactive process. This concept of the
role of non-executive director as a negotiated role is in accord with
the work of Strauss, Schatzman, Bucher, Ehrlich and Sabchin (1964) on
the development of the 'arena' concept and the importance of negotiation.
Strauss et al. maintain that roles are being continually developed and
refined in the process of interaction within the area under consideration
(in their case, psychiatric institutions). A role is seen, not as being
developed to a point where it becomes immutable, but as being subject to
a continual process of renegotiation.

In terms of non-executive directors, it is necessary to consider who
they feel to represent relevant others in terms of role negotiation.
From the data, it would appear that little consideration is given, in
this respect, to anyone other than fellow-directors. In terms of con-
struction of role, no reference is made to expectations of, or inter-
action with, the managers, or indeed the other workers generally. It is
to their fellow-directors that the non-executive directors appear to

look. This is, of course, hardly surprising. The nature of the role of non-executive director suggests that he will not have a great deal to do with the operation of the company on a day-to-day basis. His function is to attend board meetings, perhaps once a month, and make decisions. There may be the occasional factory tour, the occasional discussion with middle management, but the non-executive director's reference group, his 'role set' will almost certainly comprise the other members of the board. Chapter 5 below deals in considerable detail with the creation and maintenance of relationships between non-executive directors and their fellow-directors, both executive and non-executive, so extensive discussion at this point could well be superfluous. However, as a general observation from the data, it can be said that the non-executive director, is, indeed, at least to a certain extent, continually revising and recreating his role performance depending on the nature of his interaction with his fellow-directors and his perceptions of this interaction. To quote briefly from one interview:

> 'Therefore the nature of the relationship really depends on
> how you're perceived and how you perceive them.'

One of the most important features of the role of the non-executive director is the extent to which the role incumbent can construct his own role, the large element of 'role making' which is generally inherent in the situation.

One could regard every position in an organisational hierarchy, every job, as containing both a prescribed and a discretionary element. (Unpublished talk, Dr T Morton 1978) The lower positions in the hierarchy could be said to contain a very small discretionary element, but this increases as position in the hierarchy rises, so that those running an organisation have jobs that have a largely discretionary character, with very few prescribed elements. Dr Morton regards people in such

positions as deliberately maintaining a high level of presciption at lower points in the hierarchy in order to maximise their ability to control personnel. Although, as has been discussed, it would not be true to say that there are no constraints on role performance, the 'discretionary' element in the role is much greater than that in the majority of organisational roles. Constraints are imposed on the non-executive director, both 'externally' in the form of legislative constraints and such constraints as may be contained in the company articles, and 'internally' in the form of those constraints the non-executive director imposes on himself. The latter constraints could be said to relate to the non-executive director's own concept of what constitutes 'competent' role performance, as derived perhaps from prescriptive literature, and from the expectations of, and interaction with, executive and non-executive colleagues.

However, although by talking to different non-executive directors it is possible to isolate a generalised agreement as to the definition of competence, there appears to be room within this structure for considerable differences of approach. Each non-executive director interviewed, while adhering to a generally agreed notion of 'competence', (see chapter 4 below) defined his own role in a manner unique to himself. This could be seen as representing the creative, 'role making', aspect of the role.

Non-executive directors are able, in fact, to define differences in role performances as between different companies. That is to say, one non-executive director sitting on several different boards, will give a different account of the nature and function of his activities on each board.

Different interpretations of their roles are put forward by different

non-executive directors, providing evidence that there is very definitely a constructive, role making, side to the role of non-executive director. One non-executive director, for instance, describes himself as having a passive, responsive approach to the role. The role on non-executive director is to do with causing the board to examine more closely the nature of their decisions and the ways in which they were reached. It is not a critical role, and there is no question of scrutinising the board for incompetence.

However, another non-executive director feels that he has a responsibility to the shareholder and, as such is the case, feels compelled to do anything necessary to fulfill that responsibility. The fact that two non-executive directors, who perceive themselves, and appear to be perceived by others, to be competent performers of the role can express such divergent views on similar issues does go a long way to indicate that there is considerable room for differences of opinion, of personal style, and of methods of role performance. To take another example, let us briefly examine two viewpoints on the nature of the non-executive director's relationship with his colleagues. One non-executive director interviewed took the view that, while the non-executive director should be reasonably amicable towards his colleagues, while he should have a 'good' working relationship with them, it is undesirable for him to have a 'friendly' working relationship with them. If the non-executive director actually becomes friendly with the executives, he may find himself internalising their perspective on company affairs. His independence, which is seen as a crucial part of competent role performance, may be jeopardised. His judgement may become distorted. He may cease to be a 'proper' non-executive director.

As a comparison, another non-executive director, in the course of discussion about the financial rewards of the role, expressed at least part

of his motivation for being in that role as being related to personal

friendship. His friendship with the chairman is seen as a crucial fac-

tor to his role as non-executive director. It is seen as a prime moti-

vating factor rather than a means of distorting his judgement.

For further data concerning wide differences of approach to role per-

formance, the data quoted at the beginning of this chapter concerning

non-executive directors perceptions of exactly who they represent could

be taken as a confirmation that there is space for vastly different inter-

pretation of the role.

Of course it is necessary to take into consideration that the non-exec-

utive director, in many companies, may find himself in a position of

relative powerlessness. There are many boards on which only one, or two,

non-executive directors sit, and it can readily be appreciated that pro-

cedures will not be geared to their needs, particularly in terms of prov-

ision of information.

This should be taken into account when considering the non-executive

director as a potential innovator. Innovatory behaviour is indicative

of the individual defining for himself the components of his role per-

formance. However, where non-executive directors find themselves in

positions of relative powerlessness, one can expect not to observe the

non-executive director behaving as an innovator with any great frequency,

in terms of his influence on decision-making and company policy.

There is the argument that 'normal' executives are trained to be opti-

misers rather than innovators. This is because, comparing the rewards

for innovation to the risk of failure, and consequently financial losses,

is unencouraging. However, the rewards for optimisation are quite clear.

The same dynamic would obviously hold true for even the most competent non-executive director. Innovation is difficult and risky. Optimisation is both easier and safer.

One non-executive director interviewed suggested that, while non-executive directors may, in fact, be innovators, they are more likely to produce innovatory ideas, which will then be carried through to fruition by others. He states that he himself advised one company with which he was concerned to close or sell unprofitable subsidiaries, and that he then 'stood over the board and got them to agree'.

He also quotes the instance of a non-executive director on one of his boards making the innovatory suggestion that the company should make American investments. The board as a whole then decided as a policy that they would seek to build the future of the business by American investment.

Also mentioned was a certain non-executive chairman, known for being an 'ideas man', who produced the idea that certain unprofitable subsidiaries of his company might be sold to a certain government body, with which he had contacts sufficient to enable an approach to be made. The actual transaction was, however, carried out by the chief executive as described by this non-executive director:

'He sold them rubbish - probably slightly dishonestly.'

While the executive did the work, it was the non-executive who had the idea. The non-executive director as an innovator in terms of his interpretation of his role is, however, a different matter. One could say that every non-executive director is to some extent an innovator, in that the role of every non-executive director contains certain unique aspects created by that non-executive director.

To conclude, this chapter has provided a certain amount of evidence about the ways that non-executive directors construct their role, and also about the extent to which the role is predetermined at the time that it is taken up.

There has been examination of the various constraining aspects of the role, the 'role taking' side of becoming a non-executive director. We have considered some of the ways in which the non-executive director is socialised into his new role. We have also examined the ways in which the non-executive director himself constructs his role performance, the 'role making' aspect. There has also been discussion of construction of role as a negotiated activity.

Many of the themes outlined in this chapter will be examined in much greater depth later in the work, and this section of the work could be regarded in some senses as providing a form of introduction to more de-tailed analyses of non-executive directors understandings of their role relationships.

Concluding Remarks: Role Theory and Members' Definition of Role

Summarising the relevance of the theoretical material discussed above to the purposes of this research endeavour, initially, it is essential to turn to Levinson's (1959) third definition of the use of the term 'role', which is, the member's definition of the part he plays in terms of a certain position. It is this definition of the concept of role which is crucial to the work attempted in this thesis. By using the con-cept in this way, we are able to deal with the perceptions of the members of the collectivity known as non-executive directors as to the ways in which they define their role.

This definition of role can be seen to be in accordance with the work of Turner (1962) Goffman (1961), and Cicourel (1973) on role theory. The work of these three writers is basically dependent on a view of role as containing a constructive element. Role performance is regarded as being, at least to some extent, a function of members' perceptions of the nature of their roles. Role performance is seen to contain elements of creation and modification of the role, rather than as the acting out of specified rules or norms. Role performances are constructed or negotiated by means of interaction with relevant others, and are in a continual state of flux, since the behaviours and expectations of others can only be inferred, not directly known.

This kind of definition and use of role is of particular significance for the purposes of this study, that is to say, for the detailed examination of the role performance and role relationships of the non-executive director. The non-executive director can be said to be in many ways a unique case in terms of role enactment. He is, in a sense, poised between the 'role taking' aspects of the role, that is, the necessity to conform to certain social and experiential criteria before even becoming accepted as a permissable role occupant, and the 'role making' aspects of the role, in the sense that he is free to construct vastly different types of performance according to varying environmental requirements, or his differing perceptions of the types of activities in which he should engage. The role of non-executive director is not defined by any kind of detailed job description, so the non-executive director himself has a large amount of discretion in terms of the way he performs his role.

We have suggested that the interactionist approach to role theory may be used as a valid theoretic tool in systematic discussion of how the non-executive director performs his role and structures his role relation-

ships with relevant others.

In this chapter we have also considered empirical data obtained by means of the semi-structured interviews conducted with non-executive directors. We have discussed some of the ways members of the collectivity are socialised into the role of non-executive director, and the ways in which they subsequently construct the role they will perform. This involved consideration of construction of role as a negotiated activity. The non-executive director can be seen to arrive at a definition of his own role by a process of interaction with members of his 'role set'.

It has become apparent that to examine the role of non-executive director from a behavioural or normative standpoint would be disappointingly shallow and of little validity, taking into account the nature of the empirical data obtained. It is only by making use of the cognitive aspect of role as defined by Levinson, and as extended and refined by later writers that we can 'make sense of' this particular role, because of the peculiarities of the role of non-executive director in terms of its position in the organisational hierarchy. Given that the role, by its nature, provides the role occupant with a large element of discretion, in terms of methods of performance and types of perception, and given that it is in the nature of this work to deal with members' <u>perceptions</u> of their role definitions, it is only by adopting a view of role that allows us to take account of such factors that role theory provides an acceptable framework for analysis in this context.

A DISCUSSION, DERIVED FROM THE DATA, ON THE MEMBERS' CONCEPTION OF THE

CONSTITUTION OF THE COMPETENT MEMBER OF THE COLLECTIVITY. THIS WILL

BE DERIVED FROM BOTH DOCUMENTARY EVIDENCE AND FROM INFORMAL DATA. IT

WILL INVOLVE CONSTRUCTION OF AN IDEAL TYPE USED AS A CONTRASTIVE

DEVICE AGAINST WHICH TO COMPARE ACTUAL CONTINGENCIES OF ROLE PERFORMANCE.

Membership and Competence

This chapter is primarily concerned with discussion of those factors

affecting competent membership of a collectivity. This issue will be

approached from two different angles. Firstly, there will be analysis

of the documentary evidence to derive a members and commentators 'Ideal

Type' of the competent member. Discussion of the construction and

application of Ideal Types will be undertaken subsequently. Secondly,

the informal data, the semi-structures interviews conducted with non-

executive directors, will be examined. The Ideal Type constructed will

be used as a contrastive device in order to indicate the ways in which

some of the actual contingencies of role performance diverge from the

idealised conception of competence. It is therefore necessary initially

to give consideration to the concepts of 'membership' and 'collectivity'.

Parsons (1951 p39) states:

> 'A collectivity is a system of concretely interactive
> specific roles.'

He also considers that membership of a collectivity involves shared

values or standards, and that this invests members with 'a certain resp-

onsibility for the fulfillment of obligations', since the shared value

standards of the collectivity define institutionalised role-expectations.

The term 'membership' and 'collectivity' are used in a strictly

sociological sense. Recourse to the basic definitional work from

Parsons renders the following points that would facilitate discussion

of these terms.

1)   Membership of a collectivity is bounded. Since collectivity
membership, 'whether achieved <u>by</u> the individual actor or ascribed <u>to</u>
him¹, then becomes a basis for further ascription, collectivity member-
ship can be seen as containing an element of progress, as constituting
a 'career' for the successful member. The term 'career' is used in
two different but interrelated senses. On the one hand it represents
the progression of the member in hierarchical or status terms. Thus
the non-executive director can move from this position to that of chair-
man, a position which is generally more lucrative and powerful than
that of non-executive director. The term 'career' is also used (Becker
1963pp24-25) to describe the process of socialisation into the role.

2)   There is an implication that there are impersonal roles to be per-
formed in the collectivity, but these roles are obviously sufficiently
specific to be performed by individuals (for instance, leadership).
There is no statement as to by what means specific roles might be assigned.

3)   Although solidarity, or prior to institutionalisation, loyalty is
crucial to collectivity membership, only in the 'limiting case would a
collectivity constitute an aggregate of persons as <u>total</u> individuals'.

4)   Members of a collectivity spend some time together in 'interpret-
ation of the nature and situation of the collectivity'.

5)   Parsons distinguishes two kinds of symbolism in relation to collect-
ivities. There are the symbols shared by different sub-units (actors
or sub-collectivities) of the social system, which do not imply solidarity
between them. These symbols constitute 'common style' within a 'common
culture' (Parsons 1952 p395). Secondly, there may be symbolism specific
to the collectivity as such, rather than merely being the 'common style'
of its sub-units (Parsons 1952 p395).

6)   Collectivity membership is definitionally a secondary relational
category. That is to say:

'A collectivity may, like a kinship group or a community, be
constituted by primary relational criteria, but it <u>need</u> not be.'

To take as an example company boards, it can be seen that in the case

of the 'family firm' the second order member relationship described as

'directors' <u>may</u> be constituted by the first order relationship 'family'.

Obviously this <u>need</u> not be the case, and in terms of company boards

generally, will not be. Obviously an individual can be a member of more

than one collectivity, and in this chapter the relationship of the non-

executive director to the collectivity of 'non-executive directors' and

also to the collectivity of 'directors' generally will be considered.

In fact, membership criteria will be seen to be very similar although

not precisely the same, since the non-executive director is, after all,

merely a certain sub-species of the genus 'director'. However, it is

worth noting that the role of the non-executive director in many board-

rooms has a quality of marginality, that marginality makes for consid-

erable ambiguity of role, and therefore the non-executive director's

membership of the collectivity 'directors', in some instances, will

have this marginal quality. This will tend to be the case where the

majority of board members have executive status. In such a situation

the non-executive director may experience considerable difficulty estab-

lishing himself as a competent member <u>of that board</u>, although he may be

readily accepted as a competent non-executive director per se.

As has been discussed in chapter 2, the non-executive directors, are

located in a particular part of the structure of organisational life,

and this entitles us to consider them as a collectivity. However, they

are likely to organise their lives and interpret phenomena in much the

same way as other members of their social group.

We would also wish to reiterate that these commonalities of identity

enable us to talk with them and them with us. We share with them, to some extent, a system of common-sense understandings of the world, and they will, of course, bring these common-sense understandings into operation when acting as members of the particular collectivity discussed, and when formulating theoretical underpinnings for their role performance.

Generally - 'family firms' would often be an exception - membership of the collectivity non-executive director is achieved rather than ascribed. Additionally, one aspect of the career to which we have referred earlier is that it can be terminated. A feature of not achieving the status in the first place or losing the status during performance of it may be concerned with the perceived competence of potential members of those who have achieved collectivity membership. For the purpose of our analysis we can readily categorise competence into issues of technical competence and social competence; these are divisions to which some of the non-executive directors themselves refer.

In terms of 'social' competence, what we are referring to is that mastery of the natural language, or collective symbolism, that enables the actor to establish himself as being equipped, initally, to undertake performance of his role, and to be considered as at least a potential member of the collectivity which he is seeking to join. Hymes defines this as:

> 'the tacit knowledge that is commonly not conscious or available
> for spontaneous report, but necessarily implicit in what the
> (ideal) speaker-listener can say.' (Hymes 1971 p270).

Hymes also discusses the way in which an individual may be seen as performing a role competently in terms of self-presentation. Competence is not merely a function of mastery of the common language, but also of being <u>perceived</u> to have this, both by the self and by

others. 'Performance' is concerned with the members ability to see what is going on, and deal with it adequately.

This is linked to our discussion of 'technical' competence, in that the actor must have certain types of skill, or must at least be perceived to have such skills, to be able to maintain an adequate performance. Competence is not solely concerned with mastery of the natural language, but also embraces a range of abilities which the actor must possess, or be seen to possess, in order to perform his role. It is possible to isolate the skills and abilities perceived to be required, as distinct from the 'social' prerequisites for competence, and an attempt will be made to analyse these, in terms both of members' perceptions and partial theories as to what attributes consitute these, and of 'prescriptions' for competence presented in the documentary evidence.

Considering the formal documentation that members themselves and other commentators devise in order to generate instructions about adequate role performance, it is possible for us to make use of them in order to generate an 'Ideal Type' of non-executive director. The documentation referred to will be the prescriptions that appear from time to time in journals etc., and also various surveys conducted to which members have access if they wish for purposes of self-identity or for identification of competence of others (that is, have available as criteria for praise or blame) or to establish directions in which the loose criteria for collectivity membership are shifting.

The Ideal Type
The concept of ideal type, in the first instance, rests on Weber's contribution to sociological theory. An examination of Weber's

treatment of ideal types indicates that he appeared to deal with three different uses of the concept. As summed up by Rex (1974) these are:

a) 'artificial accentuations which might act as yardsticks.

b) abstract aspects of action, e.g. as in the concept of economic man, which could be put together to produce

c) a concrete ideal type which would explain action.'

For the purpose of this research endeavour it is the first use of the concept (a) above, with which we will be concerned. That is to say, we are dealing with uses of the ideal type as derived from this concept. The ideal type will be used as a contrastive device, or yardstick, against which to compare the real-life attitudes and activities of members of the collectivity.

Andreski (1964 p78-79) in his discussion of the concept of the ideal type as used by Weber in this context, points out that:

> 'In the first place it might be said that to talk about an
> ideal type is like talking about wet water, for any type,
> being an abstraction, is ideal and not real in the sense
> that a given material object is real: there exists this
> horse and that, but not a horse in general.'

The concept can be clarified by considering that the difference between an ideal type and a mere type is not concerned with degrees of abstraction from reality, but with the amount of definition which the type is accorded. An ideal type is not comparable with systems of biological typing, since although biological typing must, of course, deal in generalisations, the type established will 'have referents which fall under them and nowhere else' (Andreski 1964 p79). While there has never been any such thing as a generalised horse, there are many horses which conform perfectly to the specifications for the

type. This is not, however, the case with the use of ideal types in

this particular context. The ideal type is an accentuation against

which real-life behaviour can be measured, rather than a system under

which it can be classified. There have, for instance, been no

perfectly rational organisations, or not that one has observed.

> 'The ideal behind the concept of ideal type is that social
> phenomena, in virtue of their manifold and fluid nature, can be
> analysed solely in terms of the extreme forms of their
> characteristics, which can never be observed in their purity'.
> (Andreski 1964 p79).

The ideal type is a tool to be used in examination of actors' meanings

through the use of generalisations. It enables us to interpret the

actors subjective experiences and intentions by means of comparison.

To quote from Altheide (1977):

> 'As not all action is the same, Weber developed the "Ideal type"
> as a way of generalising about discrete courses of action...
> the task of the sociologist is two-fold: to develop ideal types
> and then to examine the empirical relationships of one to
> another.'

Schutz (1967) expanded and developed Weber's concept of the ideal type,

enabling us to define both a 'habitual ideal type', that is to say, as

ideal type associated with a particular job, and then to go on to

develop a 'personal ideal type', that is to say, a picture of the kind

of person who performs the job.

> 'I cannot, for instance, define the ideal type of a postal clerk
> without first having in mind a definition of his job... Once I
> am clear as to the course-of-action type I can construct the
> personal ideal type, that is, the "person who performs this job"'.(p187)

Schutz explains, in depth and with clarity, the mechanisms of creation

and use of the ideal type, the processes by which we create and

utilize this tool. It is a question of abandoning what Schutz refers

to as the 'subjective meaning-context' as a tool of interpretation.

It is replaced by 'a series of highly complex and systematically

interrelated objective meaning contexts'. Thus the individuals who

are being scrutinized are rendered anonymous in direct proportion to

the number and complexity of these objective meaning contexts. However many people are considered in relation to the ideal type or 'subsumed under' it, it will correspond to no one individual in particular. The method of recognition is not intended to deal with the unique individual as he actually exists, but to act as a basis for generalisation and interpretation of that individual within this framework.

It is, of course, possible to reverse this system of interpretation, and use it subjectively where it _is_ applied to an individual. The objective meaning-contexts can be translated back into a subjective meaning where applied to a specific individual in a specific situation:

> 'Thus I may say, "Oh, he's one of those." or "I've seen that type before"'. (P. 186)

Schutz sums up the creation of an idealtype as follows:

> 'We saw that the process consisted essentially of taking a cross-section of our experiences of another person, and, so to speak, "freezing it into a slide". We saw that this is done by means of a sythesis of recognition.' (P. 187)

The ideal type is not a representation of real life, it is a tool for the interpretation of real life. It is an objective means of anyalysing subjective data.

When an ideal type is constructed (from the prescriptive documentation in this instance) it is not suggested that this is 'better than' the 'real-life' type (Ryle 1960). The documentary evidence is to be treated with scientific indifference, as are the members accounts.

Ryle makes the point that often when social scientists and philosophers are discussing the contrast between 'real life' ane the models they generate, _their_ model is superior to reality. For example, Ryle takes the model generated by economists of 'economic man' which they then take seriously, that is, they treat the model as reality.

However, writers such as Garfinkel and Sacks (1970) suggest that all
models and evidence be accorded the status of equality, in their
treatment by social scientists. This has been discussed in Chapter 2
on methodology. At the same time, we could claim that members of a
collectivity do take documentary evidence seriously. Even though
they may not agree with it, they accord it the status of representing
the nature of their activity.

The ideal type (in this case) is a prescription for 'correct' role
performance, made by members and by commentators. It is making 'ought'
and 'should' propositions. It may be taken to represent a model of
the 'purest' form of the phenomenon, as in Weber's theory of bureaucracy.

The ideal type itself, in this case, is only too liable to be fraught
with inconsistencies, since there will inevitably be certain inconsist-
encies as between members and as between members and/or commentators,
over certain aspects of role performance. An ideal type _can_ be derived,
since on the evidence of the data there are certain 'cultural axioms'
that are accepted by non-executive directors considered as a collect-
ivity. The inconsistencies arise because being a non-executive director
is not a rigidly rule-bound activity. The statutary and other
requirements laid upon the non-executive director are loosely framed
to say the least.

Perhaps one of the grounds for being an adequate non-executive director
is the ability to use, discard or interpret the prescriptions available.
(It is, of course, of interest to examine members use of 'instructions'
as interpretive devices. General organisation theory suggests that
members _use_ rules by interpretations, filling in, use of 'etcetera

clauses' (Garfinkel 1967) in order to fulfill their own purposes.)
P.3

The Documentary Evidence

By examining prescriptions for competent role performance contained in journal articles and survey reports it becomes possible to construct an ideal type for the competent non-executive director. As Legge (1978) points out in discussing prescriptions for competent personnel management, these kinds of prescriptions have certain inherent traits:

1. 'They tend to be normative rather than positive.

2. They tend to be prescriptive in general terms rather than analytical about actual situations.

3. They tend to discuss the content of the function removed from its context without recognising that, in practice, it is the context in which it operates that is likely to constrain and mould the context of the function.' (p.2)

Therefore, prescriptive writing should be used only as a comparative device against which to measure the actual contingencies of role performance, as discussed above in the section on ideal types.

Referring to articles by Dean (1976, 1977), Robertson (1977), Chudley (1976), Houlden and King (1978), Parker (1978), Leech and Mudheim (1976), Pfeffer (1972) enables us to generate certain propositions relating to construction of the ideal type. It is also instructive to examine the picture of the non-executive director created from various survey results, e.g., B.I.M. (1972), the 'Director', Bull (1969, 1970). Management Today, Heller (1970), Booz-Allen and Hamilton (1979). The sources quoted are by no means entirely consistent with each other, but inconsistencies appear to take the form of attributing different degrees of importance to different factors rather than there being any essential contradictions in the content. It should be emphasised that, for reasons already suggested, features

of the ideal type will remain essentially vague, they are represent-
ations of idealised versions of behaviour and as such they are
difficult to concretise. It would be difficult, both for the writer
of the prescriptions and for the sociologist,- a work of infinite
regrets - to explicate all the matters that are 'taken for granted',
accepted as 'Common-Sense' that appear in the instructions. Exam-
inations of the items that constitute the ideal type will reveal that
some items are more vaguely constituted than others. Nevertheless,
an ideal type emerges.

So, from the documentary evidence it is possible to make a point-by-
point summary. The points made are by no means in order of importance
to competent performance, but simply listed on an ad hoc basis.

1.   The non-executive director will be middle or upper-middle class.
He is very probably educated at public school, there is a likelihood
of an oxbridge education, and a high likelihood of some university
education.

2.   He must be possessed of a high degree of 'social skill'.

3.   He should have the ability to ask 'awkward questions' but at the
same time should avoid appearing to the board as an 'interfering
nuisance'.

4.   He must have the all-important quality of 'good' judgement.

5.   He should not be concerned with the day-to-day details of the
business. His function is to determine long-term strategy.

6.   He should be a man of wide commercial experience. There seems to
be a preference for general management experience (e.g. acting as
managing director of a company) rather than specialist experience, but
on this point the commentators tend to have conflicting viewpoints.

7. He must have an independent viewpoint on the company's affairs. He must therefore be a man of determination, with great strength of character and resilience to set-backs. He must be totally incorruptible, financially or otherwise.

8. He has a role chiefly concerned with monitoring performance.

9. He should be responsible for balancing the legitimate objectives of all the participants in the company, not only the shareholders.

10. He should enable the company to relate more effectively to the commercial environment in which it operates.

11. He must have both the time and the ability to obtain the information necessary for competent performance of his role. The time requirement for performing the role is approximately two days per month.

12. The financial rewards he receives, if any, should not be a motivating factor.

13. He should have a special responsibility with regard to advising the chairman or chief executive on the employment and renumeration of the executives - but on this point there is some conflicting data to suggest that this is perhaps not the case (B.I.M. 1972).

14. He should act as an adviser, particularly to the chairman or chief executive, and also to the board in general, where this is required.

The Informal Data

Going on to consider the informal data, taken from semi-structured interviews with various non-executive directors, it can be seen that when people talk about their occupations, they tend to do so in terms of what we can call characterisation work - they discuss the features that constitute desirable/undesirable membership of their role. This characterisation work is discussed by Goffman (1972) in terms of role-

appropriate behaviour, those constellations of attitude, values and self-presentation that constitute acceptability. Sometimes these guidelines are formulated in quite formal requirements, but generally the more subtle manifestations of behaviour are unwritten. In general terms, these features constitute members' theories of competent membership.

In the interviews conducted, there was considerable discussion of these features.

1. The Social Similarity of Directors.

Firstly, the board is seen as being a collection of very similar individuals and the non-executive director is seen as needing to share their (personal) characteristics, as a necessary part of competent role performance, without, at this stage, taking into account the non-executive director's <u>technical</u> competence to perform his role. His status as a competent member of the collectivity whether the collectivity in question is defined as non-executive directors or as directors generally, is in the first instance heavily dependent simply on his similarity to his colleagues on a personal basis, on the basis, for instance, of such criteria as class, educational background, social performance in terms of adeptness or otherwise, in fact as one non-executive director interviewed expressed it:

> '...that when a company is considering inviting in a non-executive director, there is, as it were, something of a club atmosphere situation...the question is asked: is he the sort of chap who will get on with us...?'

Or, as more formally described by Parsons (1951 p97)

> 'Collectivity-orientation, as it were, involves posing the "question of confidence", "...are you one of us or not? your attitude on this question decides".'

If the non-executive director is too dissimilar from his colleagues

then he is seen as simply being unable to perform his role in a
satisfactory manner, and it is therefore impossible for him to satisfy
any other criteria of competent membership. This is discussed by
Hughes (1958 p.107)

> 'The epithets..'boy wonder', 'bright young man', express
> the hostility of colleagues to persons who deviate from
> the expected type. The members of a colleague group have
> a common interest in the whole configuration of things
> which control the number of potential candidates for their
> occupation. Colleagues, be it remembered, are also
> competitors.'

What is wanted is someone who will 'fit in' with the collectivity
comprising the board members.

> 'I think, socially adept to the norms of that particular
> board, without defining what you mean by socially adept.'

In many of the interviews, it is suggested that since boardroom
decisions are reached by consensus (of which more later) it is
necessary that board members share, as it were, an initial consensus
of basic of co-operation, of understanding, to enable them to transact
the affairs of the company, to make the decisions at which it is
their function to arrive. As Hughes expresses it:

> 'In relation to its techniques and the interests of those who
> use that technique, the occupational group tends to build up
> a set of collective representations, more or less peculiar
> to the occupation, and more or less incomprehensible to the
> community. The interests, which the occupational group
> couches in a language more or less its own, are the basis of
> the code and policy of the occupational group. The code is
> the occupations prescribed activity of the individuals
> within toward each other; the policy represents its relation
> to the community in which they operate.' (P.45)

So, the collectivity comprising non-executive directors, or comprising
directors generally, tends to develop a unique language or system of
symbolism. As expressed by Parsons (1951 p.394)

> '....attachment to a collectivity is integrated with a system
> of expressive symbolism which in its application to ego
> signifies membership status within the collectivity.'

Members will tend to use these criteria to assess any prospective new members. They are looking for someone who already has a measure of understanding of their culture, their common language, their 'system of expressive symbolism'. One non- executive director interviewed examined the pitfalls of this approach to determining competence:

> '...the danger is that if you've got somebody who you think
> is exactly the way you think people ought to be, because
> that's the way you are, that there is this danger in
> going too far, and picking a chap because of his general
> habits and background rather than because of his ability.'

> 'What you're looking for, although you'd never admit it, is
> a mirror image of yourself.'

Nevertheless, there is a real feeling that similarity on a personal basis is a determining factor for competence.

Consider the following insignificant issue mentioned by one non-executive director interviewed, andthe much wider significance attributed and attributable to it:

> 'If all the board read the Manchester Guardian (sic) and the
> Financial Times, and you came to somebody who only read the
> Daily Mirror, then it's probable that in other respects
> there would be this conflict, this lack of understanding.'

What is being conveyed is that similarity permitting membership should extend to such things as personal taste in reading matter, questions of individual style. In fact, a great many factors could be implied from an individual's choice of daily newspaper: that individual's tastes, style, politics, social class, aspirations and views. The example quoted sounds minor but points to a host of areas for examination. For instance, in one interview it was remarked:

> 'The appointment of chief executives particularly, directors
> generally, and non-executive directors particularly, is
> certainly influenced by their social adeptness..ability to
> mix easily and communicate well, which has always been a
> hallmark of educational background as much as anything else.'

The implication here is clear, that the common educational background

is a function of the, as it were, common social class from which all

board members are drawn. As determined by a survey of the 200 top

U.K. companies and as interpreted by Heller (1970) the average di-

rector of a top company has the kind of background where:

> '...there is a 30% chance that he had an oxbridge education
> - and a 50% chance that he had any university education at
> all...he almost certainly went to a public school; the
> proportions were 71% in both samples. The picture is a
> conservative one: middle-aged, definitely middle-class.'

The assumption of a privileged education, middle class, upper-middle

class background is implicit in the criteria for membership of the

collectivity 'directors' at all, never mind competent membership.

The assumption can be clearly seen in the language used: phrases such

as: 'chaps like us', 'a club atmosphere', but it is rarely referred to

explicitly in the interview data. The impression, however, is that as

regards social class and boardroom appointments, the grading is pre-

cise. 'Chaps like us' are required, but 'the days of the lords on

the board...are completely long-gone'. Nearly all interviews laid

stress on the fact that high social standing of this kind per se was

by no means an entry into the British boardroom. If anything, being

a lord might act as a disadvantage, the social status is too high, and

would lay the unfortunate owner of the title open to accusations of

being one of:

> '...these people who allows their names...to appear on
> company stationary.'

> '...a kind of luxurious appendage...'

as one non-executive director interviewed described it.

Such as appointee would be seen as very marginal indeed to the collect-

ivity this research endeavour is attempting to define. In the

majority of interviews, scorn and derision is heaped on such appoint-

ments, since although the appointee might fulfill the social criteria

(though even this is doubtful) for membership, he would not fulfill

the criteria of technical competence, which will be discussed later,

and would therefore detract from the prestige, the plausibility, of

the other members. Even as regards the social criteria for membership,

it is obvious that one can be _too_ elevated:

> 'A very distinguished engineer was appointed...he was so
> distinguished...he had no common touch with any of the
> engineering problems the company faced. He was already
> three levels too high and he knew half the people in the
> cabinet. The appointment turned out to be the most
> fruitless waste of money that I've come across.'

The implication is that this distinguished engineer lacked common

ground with his boardroom colleagues as well as (perhaps as a result)

lacking common touch with the company's problems.

The personal appearance of the non-executive director is, of course, a

factor regarding his acceptability, subsumed under the larger heading

of 'fitting in' with his colleagues.

> 'If most of the board have their hair short, then someone
> who has it rather greasily on his shoulders is not likely
> to get on too well'.

The way this sentiment is expressed also tends to reinforce the

tentative assumptions made about requirements as to class and

educational background, although this non-executive director does go

on to point out that:

> 'If the company tends to be, in terms of dress and style,
> much more "with it" than perhaps is considered by those
> who are more conventional, then I think equally a gentle-
> man who comes in a city suit with a white collar and tie,
> and short hair, is not going to fit in.'

Obviously the concept of a company being 'with it' is not regarded with

any great enthusiasm, but much more important is the perception of the

non-executive director as someone who will 'fit in', whatever the

surroundings, and, by implication, however undesirable they may be.

A feature of the necessity to 'fit in' in order to qualify initially

for consideration as a potential competent member of the collectivities

under discussion which is of particular interest to this researcher, is

the need for the potential non-executive director to be of the male sex.

In the course of this research investigation, only one female non-

executive director has ever been mentioned in passing, and is on the

board in question 'speaking for major (family) shareholdings'. No

doubt there are a few women on boards as non-executive directors, but

as a generalisation, it appears that members gender for competent

membership is invariably male. This can be deduced from the fact that

in all interviews, the pronoun used to describe the non-executive

director was invariably 'he', and that no deference was paid in this

respect to the fact that the researcher conducting the interviews was

female. Sir Maurice Dean (1977) writes on this that:

> 'It is a matter of much regret to me that though on this
> Institute (of Directors) files there are the names of some
> attractive, immensely able, and highly renumerated women,
> I have not been able to help towards an outside director-
> ship though I have tried hard. This is bad and will have
> to change...My concern is with women who have already won
> high positions in business by sheer business ability.'

(With all due deference to Sir Maurice, who is obviously making a very

reasonable comment, it is interesting to note in passing the use of the

word 'attractive' as a descriptive adjective applied to these able

ladies on the Institute's files. One wonders how many male non-executive

directors achieved their appointments on the basis of their good looks,

and one would of course be only too interested to find out.)

Hughes (1958) comments on this feature of certain statuses:

> 'There tends to grow up about a status, in addition to its
> specifically determining traits a complex of auxiliary
> characteristics which come to be expected of its incumbents.' (p.103)

It is, of course, precisely this complex of auxiliary characteristics

which we are now in the process of exploring. He proceeds:

> 'It seems entirely natural to Roman Catholics that all priests
> should be men, although piety seems more common among women.
> In this case the expectation is supported by formal rule.
> Most doctors, engineers, lawyers, professors, managers and
> supervisors in industrial plants are men, although no law
> requires that they be so.' (P. 103)

This was written in 1958 so perhaps circumstances are now <u>somewhat</u>

altered in this respect; however, there are certain occupational

statuses for which a necessary auxiliary characteristic continues to

be that one criterion for competent membership is that one should be of

the male sex.

2.   <u>The Social Skills Needed</u>.

Moving on from this to consider again the social abilities connected

with qualification as a competent member, an interview has already been

quoted which suggests that 'social adeptness' is a qualifying feature.

With regard to exploration of this feature, we now find ourselves on

the borderline between 'social' competence for the role, the 'complex

of auxiliary characteristics' which have grown up around it, and

<u>technical</u> competence for the role, its 'specifically determining traits'.

'Social adeptness' is a borderline consideration, for while 'getting

on with' people is important for establishing personal acceptability

and 'social' competence, it is also 'technically' important for the

actual performance of the role of non-executive director. It is seen

as a skill, often in the consulting sense.

For instance, during data collection, one of the terms used to delineate

the non-executive director was that he 'should not be abrasive'. In

fact this exact phrasing was repeated in many of the interviews (and is

used in many of the formal prescriptions). However, while all non-

executive directors interviewed felt it was important to be 'non-

abrasive', that 'there is not much use for a prickly outsider', this

consideration has to be balanced against the fact that competent

performance of the role of non-executive director could involve the

non-executive director in situations rich in potential conflict, that

is to say, all agreed that the non-executive director should not be

too pleasant, that he should not be 'spineless', that he must 'ask

awkward questions'. Obviously a high degree of social adeptness is

called for in performing the role with any degree of adequacy:

> 'The non-executive director must have the guts to express
> an unpopular viewpoint, for instance, if he thinks the
> company needs a new chairman or M.D., but he should not
> be abrasive, the sort of person unable to get on with
> others.'

The task of the non-executive director in this respect as described in

another interview is that:

> '...you're invited to go along and pontificate on someone's
> work...and you form an opinion, and the question becomes,
> how do you feed your opinion into the system? Is it in
> such a way that you influence their behaviour, or in such
> a way that they regard you as having overstepped the mark
> and they totally shut down?...Even if something is good for
> you behaviourally, are you going to listen if it's put
> the wrong way?...his (the non-executive director's) success
> would depend on social skills, the personal skills of the
> man concerned.'

Here the non-executive director is definitely examining his social

competence as a necessary tool for the competent 'technical' performance

of his role, and of course the majority of non-executive directors

interviewed would agree, if not with this precise analysis of the role

and function of social skills, at least that to be 'socially competent'

is technically necessary for performance of the role (as well as

'socially' necessary).

> 'The ease with which people talk to you is very important,
> especially for informal information gathering, outside the
> boardroom and outside the time formally allocated. It is
> more a question of consulting skills than of being pleasant
> in the normal sense. It is a question of allowing inform-
> ation to be articulated.'

Also:

> 'A general bonhomie is very important to the life of the
> board, as a means to reaching consensus. It is necessary
> to get to know one another as people.'

This remark certainly accords with the assumption suggested earlier

about the necessity for shared basic attitudes between board members

as an aid to reaching consensus, and therefore competently performing

their roles as directors. Perhaps the earlier remark can assist us

to set up, tentatively, another assumption about how 'social competence'

on the board operates. This could be summed up as:

> 'It is not really necessary to have friendly working relat-
> ionships - but it is necessary to have good working
> relationships.'

So the model that is emerging, examining the 'social' side of social

competence, the 'getting on with' colleagues aspect of the role, is

one of amicability but by no means of effusiveness. The non-executive

director, while treating his colleagues with all due respect, polite-

ness, and even 'bonhomie' in their role as colleagues, should not, at

any rate in the majority of cases, step outside the role relationship

of colleague-to-colleague and begin to relate to his fellow directors

on a basis of personal friendship, since this would adversely affect

performance of his role as non-executive director. (There will be

further discussion of this in Chapter 5). As expressed by one non-

executive director:

> 'If you've got a board of directors, they obviously have to
> work for the time they're together, which may be no more
> than half a day a month, but during that time they obviously
> have to be able to work together and fit together.'

Obviously the degree of social competence needed for adequate role per-

formance is of a very high order. Equally obviously, the type of

competence, or areas of competence are linked to the specific role to

be performed. 'It depends what you're doing.' It is related to the

expectations of the company as well as the abilities and aptitudes of the individual.

> '...an ordinary non-executive director who, all he has to
> do is turn up for one day a month, doesn't need to be a
> competent after-dinner speaker, in that job, or a competent
> entertainer of Russian diplomats, whereas the chief
> executive might have to be...'

The discussion of social skills, in a sense, leads on to the discussion of the role of the non-executive director as a professional communicator, which is mentioned by many of the non-executive directors interviewed as a key area of competence in the role. It is also seen as a key area where there is consideration of whether or not an individual is competent to undertake the role, in other words, to 'communicate well' is seen as an essential qualification for competent membership.

> '...the ability to communicate and exchange views amicably,
> and disagree amicably, is important, and when you sit
> round in council, presumably what you're doing is commun-
> icating with each other, and so the ability to communicate
> amicably is important.'

This non-executive director is certainly making the point that to be able to 'communicate amicably' is vital to the role (not just of non-executive director, but of director generally.)

In another interview, a rather different point is made about the non-executive director as a professional communicator, which leads to consideration of another criterion of competence described in the interviews:

> 'A lot of them derive their position more through ambition
> than ability, which is sad, because I think British
> management is such a pushover that anyone with really
> strong ambition, the ability to speak up and communicate,
> can get to the top and still be an appalling judge of men,
> and an appalling judge of policy.'

He continues:

> '...they're judged on their ability to communicate, and
> a professional communicator can get himself a good position
> and just not live up to it in terms of ability.'

Presumably it is easy to recognise that someone is extremely adept

socially, a professional communicator, but rather more difficult to

assess the person's powers of business judgement, particularly within

the framework of the types of selection procedure employed.

3. Asking "Awkward Questions"

Returning to the question of social skills as a prerequisite for

competent membership considered technically, as a 'tool of the trade',

this is discussed in one of the interviews as follows:

> 'The central role of the non-executive director is the
> asking of awkward questions. His other role is getting
> the answers. For this, a high order of skill is needed,
> both social and technical. It is necessary to be
> listened to...'

The 'awkward questions', it seems, must be asked 'non-abrasively', but

also in a manner sufficiently skillful to obtain answers. There would

seem to be rather a precise question of balance involved there, in that:

> '...there is the point that asking too many awkward
> questions may cause you to be regarded with disfavour
> and even removed from the board.'

4. Qualities of Judgement.

The question of judgement is seen by members as being crucial to

competent performance of the role of non-executive director. Being a

person with 'sound business judgement' is essential to the members'

theories of competent membership.

At this point, it might be worth while to digress, and mention, as

pointed out previously, that there are certain assumptions implicit in

the way non-executive directors' theories about their work are expressed

to the interviewer, part of the 'common language' of the collectivity

under consideration. Garfinkel and Sacks (1970 p342) suggest, in fact,

that the term 'member' does not 'refer to a person. It refers instead
to the mastery of natural language.'

The use of the expression 'good judgement' by the non-executive
directors interviewed provides a concrete example of such an assumption.
We understand, because an assumption to that effect is implicit in the
language used by the non-executive directors, that a 'good judgement'
is a judgement which renders the company more profitable in the long
term. The basis of our understanding is difficult to trace, since
such assumptions, although deeply embedded in the language used by the
non-executive directors in discussing their work, are infrequently (if
at all) made explicit.

However, be that as it may, the non-executive directors interviewed for
this research considered 'sound business judgement', implicitly defined
by themselves as described above, to be crucial to competent role
performance.

> '...once a year, may be, there will be a decision required
> which will affect the future of the business which will
> have to be based on judgement rather than form, experience,
> and it's getting those judgements right that's the
> important thing in our business, so that really, you
> could go home for eleven meetings out of twelve, maybe,
> provided you made the right judgement at the right time
> you would do all that was perhaps necessary.'

So we gather that the occasions where this quality of judgement is
needed may be rare, but will be vital, and on the judgements being
'correct', i.e. profitable or at any rate non-loss-making, hangs the
competence of the non-executive director. For the non-executive
director to be perceived as competent in his role, it is essential for
him to have a record of 'good' judgement, perhaps because, as another
non-executive director describes the decision-making process:

'...what you're doing is you're backing your judgement
on historic people's performance. If it comes to, not
a crunch, but an uncomfortable, 'well this doesn't quite
smell right, but good old John's always delivered', you
let good old John deliver again. So really what you're
doing is, you're endorsing history. You're judging not
on potential, you're judging on past performance.'

The feeling seems to be that having this quality of judgement, 'getting

those judgements right', is more important than the background and

previous experience of the director (although these are seen as

important enough).

5. Concern With Long-Term Strategy.

This quality of good judgement is linked to what is seen by many non-

executive directors as being their special responsibility, th e long-

term policy of the company. This can be seen from the previously

quoted interview extract, where the view is expressed that 'once a

year, maybe' a vital decision will be necessary 'which will affect the

future of the business'.

As remarked in one interview:

'They are strong on long-term strategy, generally weak
on day-to-day performance.'

The non-executive director is seen and sees himself, to a large extent,

as failing to perform his role competently when he becomes too involved

in the day-to-day details of running the company. The non-executive

director himself often feels that, given the limited time he spends

with any one company, it would be difficult for him to have sufficient

information to intervene in this way, although possibly it would be

tempting, in some cases.

'Maybe if you'd been your own chairman or M.D., probably
one of the most difficult things is not to interfere on
a day-to-day basis, there's always a temptation to go
into too much detail, if detail has been your concern
previously.'

Interference in this manner is often perceived as being distinctly counter-productive:

> 'Where the non-executive directors go to pieces, they
> sometimes try to fiddle around with matters which are
> the business of the executive, and they not only impede
> progress, but you find their contribution becomes
> negative.'

The impression gained, and the assumption being tested, is that the role of the non-executive director is perceived by the non-executive director, and by others, his fellow-directors in particular, as being concerned with long-term policy, and not with day-to-day decisions, and that perceptions of and by the non-executive director regarding competence might depend on this method of playing the role.

> 'I really think they should be concerned in the strategy
> because the other side of it is the executives of the
> organisation aren't in any way concerned with strategy.
> They're concerned with the twelve month rolling profit
> figure...they're bogged down in the day-to-day details...
> that's their job, and the strategy flies out of the
> window.'

6. Background and Previous Experience.

As was briefly mentioned above, another criterion of competence frequently referred to was the background and previous experience of the non-executive director. This is precisely defined by a 'professional' non-executive director interviewed - professional in the sense that his career is working as a non-executive director for various different companies and his income derives from this activity - as follows:

> 'One measure of the special knowledge that it is desirable
> to have as a non-executive director is some extensive
> experience as an executive director, and experience as
> an executive director in two functional positions, two
> or three functional positions, in my case financial director,
> marketing director, administrative director, and general
> management experience, like being the managing director
> of a company.'

Here is a very precisely defined standard of the experience considered necessary, a more precise definition than the non-executive directors

interviewed generally provided, in fact. This non-executive director
goes on to say:

> '...a main qualification for being a non-executive director
> is experience being an executive director.'

A proposition with which many other of the non-executive directors
interviewed agreed (though not all of them). However, in the course of
this interview the remarks were made which were referred to above
regarding the importance of judgement over and above experience as a
qualification for the competent performance of the role of non-
executive director. Therefore, the proposition which begins to emerge
is that the necessity seen for experience of the executive viewpoint,
in the cases where such a necessity is seen, derives from the idea that
such experience may be needed for the making of 'better' judgements.

The implication seems to be that although there is 'no real substitute'
for the experience of the executive viewpoint, the reason this
experience is necessary is to enable informed judgements to be made.
In another interview, it was remarked:

> 'I think we've missed one important point, and that is,
> of course, that you have the background and experience
> which is relevant, or you have the special expertise
> which is relevant...the best background is one of general
> management rather than particular.'

The argument would appear to be that if the non-executive director has
experience of working within one particular function only, his view-
point may possibly be limited to his function:

> 'In other words, I think if you've been a production
> director the contribution you make is very much less than
> if you've been a general manager, managing director
> or chairman of another company where you're used to
> looking at all the problems in the company. A narrow
> specialisation is not good...if they're production men
> they don't speak unless it's a production problem.'

This seems to agree with the proposition that broad, general commercial
experience is necessary to provide the non-executive director with an

informed viewpoint on company affairs whereby he may arrive at the
required judgements.

This does appear to vary with size of company, however, according to
some informants. The non-executive director, in a small company, might
owe his appointment to the fact that he is supplying the company with
some particular expertise not available from the ranks of the full-time
directors. This possibility is referred to in several interviews:

> 'There must be occasions where the outside director is
> actually being used as an executive director...this would
> probably be where the company is very small, with major
> resources missing, where they haven't actually got a
> senior finance man of whatever it may be.'

7.   The Question of Independence.

A great deal of importance is often attached in the literature to the
'independent viewpoint' of the non-executive director, but it is
questionable as to whether independence is seen by the non-executive
directors themselves, and indeed by other directors, as being vital to
the role. The non-executive directors interviewed who actually referred
to the issue of their independent status in any detail regarded their
own independence and integrity as being of considerable importance.
However, many of the non-executive directors interviewed made little
or no reference, at least explicit reference, to their independent status
per se. The kinds of statments that were made about the non-executive
director's role as an independent director and the importance of this
independence as a criterion of competence are to some extent exempli-
fied by the following:

> 'I think in most firms the non-executive director can,
> and in fact does, play a very useful part, because he's
> not dependent on anybody around the table. He can say
> what he wants, he's got the ultimate sanction of voting
> with his feet.'

This non-executive director is summing up, in fact, what is considered

generally to be a vital feature of the role, and of course this

independence is assumed to be linked to the low financial incentives

generally associated with being a non-executive director.

The question of cash incentives will be discussed later, but here the

point is being made that the non-executive director sees himself as a

free agent, independent, not under pressures which the executives might

find themselves under, where situations might arise such that:

> '...really what you're doing is, I vote against you and
> I resign at the same time.'

However, consider these remarks made by another non-executive director

interviewed on the subject of his independent status:

> 'The chief executives I was relating to were the sort of
> guys who wanted to hear what I said. If the guy wanted
> some kind of sycophantic relationship, then I'm sure
> that's what he'd get. If you appoint the right guys
> for sycophancy, then you get sycophancy. That's not
> been a problem for me, I've always told them exactly
> what I thought. I'll disagree with them, I've never
> been particularly supportive to them in that way.'

Here, we are given to understand that while, of course, this particular

non-executive director's integrity and independence are unquestionable,

there may be other non-executive directors of whom this is not true.

Consider these comments made by the managing director of a manufacturing

company:

> 'It is always put down, in the press statements which go
> out, it is always said that they are taking on additional
> non-executive directors to add weight to the board,
> provide contacts for the industry, influence, and so on.
> That is pie in the sky, they are building up votes, or
> influence, within theboardroom, just as surely as they're
> lobbying in the senate, there's no difference.'

This gives us a new consideration, that of the use of the non-executive

director as 'voting fodder'. Of course, in an interview situation it

is unlikely to say the least, that any non-executive director would

actually inform the researcher that his own function on the board was simply to cast his vote in accordance with the dictates of a particular faction. However, while all non-executive directors interviewed perceive themselves to be men of impeccable independence and integrity, there are hints and suggestions that others perhaps are not.

It is perhaps constructive to recount a rather malicious anecdote told to the researcher by one non-executive director interviewed, although not, it may be said, while the interview was being recorded for later transcription. The tale relates to this non-executive director, on taking up a new appointment with a company, making enquiries about some detail of company administration from another non-executive director whose appointment was of long standing. This colleague replied, apparently in the best of humours, that it was useless to consult him about how anything was actually done. He went on to explain that he was the chairman's brother-in-law, that his job consisted solely of voting in accordance with the chairman's instructions, and that any enquiries as to company policy should be directed elsewhere.

Perhaps one could tentatively conclude that, while in many cases the independence and integrity of the non-executive director are essential to his role, in other cases the reverse may be the case. Perhaps also then, in terms of the actual contingencies of role performance, it is possible that independence, 'strength of character', etc., are not always perceived as being vital to competence, at any rate within the collectivity comprising non-executive directors, if not that comprising directors in general. This may have a relationship with the relative power of the non-executive director on any particular board, which will be fully discussed in Chapter 6.

8. The Monitoring Function

Let us go on to consider the role of the non-executive director as
monitoring the functioning of the executive, the role described as
'quis custodiet ipses custodes'. Here, again, it is interesting to
note how infrequently this function is mentioned explicitly in the
interviews, and possibly, again, whether or not the non-executive
director is able to perceive himself performing a monitoring role is
dependent on what he perceives his power status to be. However, this
role is defined by one non-executive director interviewed as follows:

> 'In the case of Co. Y. we appeared in the first instance
> as executive directors to run the company, so we graduated
> from executive, at Co. Y., responsible for the operations
> of the company, to being non-executives, responsible for
> supervising the people who followed us as executive
> directors.'

(This non-executive director is discussing himself and his non-executive
colleagues). So here is at least one non-executive director who
believes the monitoring function to be crucial to competent performance
of the role. Also, in another interview:

> '...going back to the situation where the executive directors
> are weak and ineffective turning in a profit performance,
> you will find that the chairman and/or a group of non-
> executive directors will get together a cabal who will get
> the managing director, and possibly some other directors,
> out, get them sacked, and one of their (the non-executive
> directors') most important functions on the board is to
> see that the executives are removed when they're ineffic-
> ient...the non-executive directors are much more in touch
> (than the shareholders) on a monthly basis, and profession-
> ally able to judge whether the executive directors are any
> good. So that, you could say, is one of their more
> important functions, which is to monitor the performance
> of the executive and throw them out, or change them, or
> recruit others.'

These definitions are perfectly clear and perfectly in accord with the
descriptions of the non-executive director as monitoring executive or
management performance generated from the documentation. However,
they represent one end of the spectrum, and if we examine the other

end we find explanations such as:

> 'I don't see my function as that of a critical outsider,
> examining their competence, not at all, you can't know
> whether they're competent or not.'

> 'I expect to be listened to, but I don't expect my advice
> to be followed, that's entirely up to them, and I would
> never look to see whether they followed my advice or not.'

The non-executive director in fact is seen as being an adviser, not in
any way a monitor, and this is considered to be a completely respect-
able method of role performance by other non-executives interviewed.

> '...really your job is persuasive...'

The non-executive director is not in a position, in fact, in many
cases, to do much in terms of effectively monitoring the activities of
the executive:

> 'A lot of the board's business tends to be settled at
> executive committee meetings which take place weekly.'

So again, on this point, perhaps we could tentatively conclude, as we
did on the issue of the independence of the non-executive director, that
the performance of a monitoring function is not seen by all members of
the collectivity as essential to competent role performance, and that
divergence of opinion may relate to the power status of the individual
non-executive director.

9. <u>Balancing Objectives</u>

Going on to examine the importance of the function of balancing conflict-
ing interests within the company, as related to members' perceptions
of competence, this seems related to the circumstances. Where a company
has obvious conflicts of interest within it, the role of the non-executive
director as a balance will be likely to arise as an issue affecting
competence.

> 'They're often appointed as a balancing act between
> shareholders...'

This 'balancing act' was further described by a non-executive director

who was at the time actually attempting to perform it:

> 'The idea there, as I understood it, was that if there
> was a conflict of interest, which can happen in a private
> company...I think it had been found in the past, and one
> could see that it could happen, that the interests of two
> groups of shareholders there could be a difference, and I
> think the bank was feeling that it would be helpful if
> there was an independent outside director who could say
> his piece, or vote, or seek to persuade people, to do
> what was right, without there being any suspicion that
> what I was saying was in any way coloured by the policy
> of either group of shareholders.'

In this case, the non-executive director has therefore actually been

appointed to affect a balance between two groups of shareholders with

conflicting interests, and also, I gathered, between the various

shareholders and the executive board members who tend to have their

own ideas on company policy. In this situation it can be appreciated

that acting as a balancing factor would be crucial to the non-executive

director's role. However, this non-executive director did express, in

a general sense, a feeling of the importance of balancing the legitimate

objectives of all interested parties as contributing to competent role

performance:

> '(the non-executive director should be)...trying to look
> after the general interests of the company, which of course
> in fact goes much wider than that of the shareholders, it
> includes the people, as it were, who live round the factory,
> it obviously includes the people who work in the factory,
> as well as the shareholders, and, incidentally, the people
> who've lent money...'

This definition appears to be totally in accord with the description

of competent role performance derived from the documentary evidence.

The question of maintaining a balance between various interests was

mentioned by another non-executive director interviewed as potentially

part of the role of the non-executive director:

> 'One important factor is the balance of power among the

shareholders. This is particularly important in family
companies, closed companies, and companies where the
directors are also shareholders.'

In this interview, however, the non-executive director went on to
explain that since he sat on the board of a subsidiary company, and
therefore had only one shareholder to deal with, i.e. the holding
company, this particular factor did not have any bearing on his own
role performance.

It does appear from the data that non-executive directors generally
perceive their role as a 'balancing factor' to be crucial to competence,
although usually only when the circumstances with which they are dealing
contain overt and legitimate conflicts of interest. Where the non-
executive directors interviewed are in a boardroom situation of calm
or statis, they tend to make little or no reference to this aspect of
competence.

10. The Non-Executive Director & The Commercial Environment

On the question of whetherthe non-executive director would perceive his
role to be particularly concerned with helping the company relate to
its commercial environment more effectively, there is very little
concrete data in the interviews, since this would tend to be more a
matter of who is appointed and for what reasons, and the perceptions of
the appointee regarding this might be entirely different. The non-
executive directors felt that helping the company to relate to its
environment constituted part of their role, but all produced widely
differing interpretations of the functions they, and others, performed.
Certainly many non-executive directors perceive part of their role as
being to bring into the company wider knowledge obtained in other

organisations and environments:

> 'I talked about the problems of machine loading...it's a
> very common problem and there are statistical devices if
> you need them, they'd never quite realised that it was a
> common problem everywhere else.'

In a similar vein:

> '...this is the area they're always claimed to do best...
> there are a number of cases where expert directors from
> other fields, or directors who have wide contacts in
> other fields, are able to make suggestions about what
> the company should do, buy subsidiaries, sell subsidiaries,
> buy new products, buy licences or develop in overseas
> markets, which the executives would not think of, or
> would not propose themselves.'

There is also the aspect that the non-executive director might provide

useful contacts, might 'open doors' for the company:

> 'You often get high military personnel or high civil service
> people on boards of directors because it's felt that even
> if they're not going to give you an insight, they're
> going to open doors for you.'

This non-executive director seems to regard this, in fact, almost

pejoratively, as if the non-executive director whose only function is

the providing of contacts or 'opening of doors' is a rather poor example

of the performance of the role of non-executive director. However,

while this function is not often mentioned explicitly, there is the

implication that the composition of boards does relate to the company's

attempts to deal with its external environment, in the instances

observed in this research generally connected with shareholding. Where

a bank, for example, has invested heavily in a company, they are likely

to have one or more representatives on the board, which is seen as

safeguarding the interests of both the bank and the company:

> 'Part of the agreement that X Bank made with the share-
> holders, the other shareholders of Co. Z., was that they
> should provide two directors, one of whom would be the
> chairman.'

A generalised impression from the data is that to play such a part

<u>might</u> be seen as necessary to competence, but might only be thus seen, as it were, very foggily.

11. Questions of Information

Now, moving on to the vexed issue of whether or not the non-executive director regards himself as having sufficient time and ability to acquire the information required for the competent performance of his role, it will be readily apparent that there will be certain difficulties here regarding whether or not non-executive directors interviewed are giving an honest account of their perceptions. However, it can be observed from the data that failing to be possessed of adequate information is generally perceived as imcompetent:

> '...their representative, until I got it changed, was
> always one page behind the board meeting, in other words,
> when we turned over to page two of the report he was try-
> ing to catch up on page one. I established that in fact
> he picked up his papers at the station when he arrived,
> and he endeavoured to read them in the taxi going to the
> factory, which was about three miles from the station,
> and that was the way he looked through a very thick report.
> The contribution he made was nil...'

So we gather that failing to be informed constitutes incompetent role performance. This non-executive director considered that the acquisition of adequate information should present no difficulty:

> 'You get the board report which all directors see. The
> amount of information you get varies enormously and really
> it's what the managing director reports, and what the
> chairman asks for. It's never been my experience that
> when you've asked for information it's not been available...'

We gather that it is a simple matter of ask and it shall be given, assuming the company, meaning the executive, tobe honest and above-board. How well informed the executive themselves may be is another issue mentioned in this interview:

> 'You know, there's the joke, in the big company, the
> chairman knows they've got a factory, but the managing
> director knows where it is. This is an exaggeration
> but not absolutely untrue, I think, in all cases.'

That the acquiring of information should present no problems was stated

in another interview, but as a prescription, an 'ought' statement,

rather than as a statement of fact:

> 'Information from the management should arrive regularly
> in front of the whole board. If this is not adequate
> then the board cannot be functioning adequately. This
> is the first thing the new non-executive director should
> look for and point out to the chairman. If no steps are
> taken to correct the situation, he should tender his
> resignation, since it will be impossible for him to do
> his job adequately.'

However, consider this plaintive explanation of his situation by a non-

executive director who is the only outside director on his board:

> 'There needs to be a critical number of outsiders before
> board procedures are adapted to take care of their needs.
> There tends to be an assumption otherwise that all board
> members are also executives of the company. There are a
> lot of implicit assumptions where there is only one
> outsider...the paper flow in companies is not geared to
> non-executive directors in isolation, and it is easy to
> ignore a lone voice.'

What is suggested is that the unfortunate solitary non-executive

director is <u>assumed</u> to possess information which is available to his

executive colleagues but not to him, and that the machinery for extrac-

tion of this information is woefully inadequate. A similar point is

made in another interview:

> 'I didn't appreciate lots of things, like how inadequate
> information is in the boardroom.'

This non-executive director goes on to explain:

> 'One of the great problems, I think, of being a non-
> executive director is that...if you have some expertise,
> you obviously need the data to make the judgement. As
> things stand in our company I think that the information
> we get is almost purely financial, that it is almost
> inevitably too late, that the budgeting system in the
> organisation I think is particularly suspect, that all
> this is perfectly understandable in terms of the rapid
> growth of the company, but it does not make me partic-
> ularly happy. Since I must decide on the basis of my
> antennae, in the main, plus late, untrustworthy, financial
> information, I feel uncomfortable.'

So here, again, one gets the impression that the non-executive director

is suffering from the lack of more detailed information, which is
probably possessed by his executive colleagues. He is therefore making
decisions 'on the basis of his antennae', i.e. I would assume, on the
basis of such informal data as is available to him together with a kind
of 'hunch' mechanism. For, as he goes on to point out:

> 'If I was working...as M.D. of one of the companies, then
> it would be my job to really find out, and yet I have a
> conflict, a time conflict...'

The impression is beginning to form that what the non-executive director
knows is likely to be what his executive colleagues want him to know,
and another non-executive director interviewed discusses this explicitly:

> '...it really depends on what the full-time directors
> either want you to do, or allow you to do, in terms of
> the information they make available to you...You can't
> even offer advice if they don't give you the information
> on which to offer advice.'

The nature of the 'problem' is further expanded by comments made in one
interview:

> 'A cunning chief executive, particularly, pushes through
> board decisions, sometimes rather unscrupulously, using
> the time factor for board meetings to get last-minute
> decisions through which are not fully discussed at the
> end of the meeting...others even less scrupulous bring
> matters to a meeting where they use their own knowledge
> and communication ability to get an agreement, a rubber
> stamp, to something which, if it was written down, and
> the directors were given adequate notice of it, they
> wouldn't agree to.'

So it is possible for a chief executive to exploit other directors'
shortage of information, even where these are executive directors, to
arrive at the decision the chief executive requires. How much more
vulnerable, therefore, would the non-executive director be to this kind
of treatment. In fact in this interview the experience of receiving
this kind of treatment is described:

> 'The Swedish company on which I sit really acts as a rubber
> stamp to a strong (and exceedingly boring) chief executive,
> who knows his own mind and is never going to change it.
> He's planned it out, thinks about it day and night, he's
> planned it out twelve months in advance, and by the time
> the directors get there, and I go all the way to Sweden to
> listen to this, there's no chance of altering a decision.'

There would seem to be a note of infinite sourness in this description, and one in none too surprised.

So, on the question of how well informed the non-executive director should be, to be considered competent by other non-executive directors, and by executives, we can assume that where a non-executive director is wilfully uninformed, as in the instance sited where the culprit attempted to read his board papers in the taxi to the board meeting, this would be considered incompetent and unprofessional behaviour. However, the way boardroom procedures are structured, and also the limited amount of time a non-executive director will spend with any one company, may lead to his being a long way from totally informed on all aspects of matters with which the board is dealing. This experience is described variously in terms of making the non-executive uncomfortable, irritable, bored, or simply acceptant, but in no way does it define him as incompetent.

12. The Financial Rewards.

Going on to examine briefly the importance of financial incentives to the non-executive director, it is of course necessary to note that although the ideal type constructed suggests a generalised requirement for the financial incentives to be of no importance, one must take into account the case of the professional non-executive director, the non-executive director who derives his entire income from sitting on various different boards as an outside director. Taking this case into account it is perhaps possible to refine the ideal type construct such that the financial incentives provided by any one company should be unimportant. With this proviso, general agreement can be found with this proposition in the interview data. For example:

'Whatever they pay me, about £1000 per annum, I can do with
it but if it goes away there's nothing lost...'

In another interview:

'...this is where we come back to what kind of person
does it, you do not do it for money at all...I mean,
I don't want any money at all off their business, so
I actually get paid no money...I just get really whatever
I like in the sense of motor cars and things like this...'

In another interview, in answer to a request for a definition of the

most important characteristics of a successful outside director, the

non-executive director being interviewed observed:

'I think the first thing is not to be desperately hard-up
and grabbing for the money in the sense that this would
possibly warp your judgement on occasion.'

So, briefly, from the interview data, the non-executive director should

not have attachment, or too much attachment, to the financial rewards

from any one company, because this would jeopardise other necessary

characteristics for competence, such as judgement and perhaps

independence.

13. <u>Advising The Chairman Or Chief Executive On Promotions & Salaries</u>

Examining the question of whether or not a non-executive director would,

in the course of competent role performance, be required to advise on

such questions as promotions and salaries for the executives, the

theory, the idealised perception, is that since the non-executive

director is outside the hierarchy, he should be able to assist the

chief executive on such matters. As has been seen, however, there is

conflicting evidence even as regards the documentation examined, the

B.I.M. survey suggesting that in fact such a role is rarely performed.

It should be stated that any reference to this aspect of the role in

interviews with non-executive directors are very few and far between,

which would accord with the results of the B.I.M. survey.

To quote one instance of where a non-executive director does perform

this kind of function:

> '...he (the chief executive) is fifty eight years of age
> and about to retire, and later this week I'm going to
> spend three or four hours with him talking about a
> successor, because everyone else on the board is involved
> in one way or another, either due to be disappointed or not.
> I'm someone who knows the organisation reasonably well
> over the years, who's seen the others performing, or
> posturing, as managers or senior managers, so he asked
> me for my advice.'

So here we have a situation which is absolutely accurate in terms of

the ideal type construct, where the non-executive director's advice on

succession is being sought due to his independence of the hierarchy

and knowledge of the company. Quoting from another interview:

> 'When we were considering appointing a new non-exec a very
> interesting conversation took place. So we said, "how
> much is he going to work for?", you see, and this guy
> wanted £7500, so Q (another non-executive director) and
> I thought this was vaguely amusing...'

Here again we have the non-executive directors being consulted about

an appointment, and also here about renumeration. Presumably, then,

this is support for the assumption that a necessary feature of compet-

ent role performance is that the non-executive director provides this

kind of advice. However, we can adjust the requirement by suggesting

that the non-executive director will only provide this kind of advice

when required to do so, and we can make a very tentative assumption that

he may not be required to do so in the majority of cases. In support

of this assumption is the fact that in no interviews, except the two

quoted above, do the non-executive directors make any comment about the

giving of such advice. So, perhaps, the ability to advise the chief

executive or chairman on appointments and renumeration where such

advice is requested, is necessary to competence, but for the non-executive

director to inevitably act in this advisory capacity is not.

14. <u>Advising the Board</u>

Finally, let us consider briefly the role of the non-executive director

as adviser to the chairman or chief executive, and of course the board.

This topic will be discussed exhaustively in Chapter 5 but it is

possible to state briefly that this does seem to be a very important

part of the role of the non-executive director. A suitable relation-

ship with the chairman and chief executive, as well as the rest of the

board, appears to be necessary to members' perceptions of competence.

For example:

> 'It's rather like an uncle being a friend of the family,
> that type of relationship.'

A non-executive director who at one time was managing director of a

large company explained that:

> 'I used to find with my own chairman (a non-executive)
> and with one of the non-executive directors, that it was
> almost theraputic to go and have an hour or so in their
> office...'

It is apparent that this advisory role is of great importance, but this

will be considered in more detail in Chapter 5. All that is necessary

to say here is that the interview data tends to support the ideal type

construct produced from the documentary evidence.

Let us, then briefly sum up the material dealt with in this chapter.

Very few major inconsistencies have been indicated by the informal data.

The 'real-life' version presented by the non-executive director of the

ways in which he goes about performing his role is, obviously, more

informal than the set of prescriptive statements which result in an

ideal type, but not generally inconsistent with the ideal type.

Inconsistencies pointed out by the non-executive directors are almost

invariably attributed to another. For instance, all non-executive directors spoken to, on the subject of their status as independent board members, are by their own account fearlessly independent. They do, however, offer accounts of others who are not. This is, of course, simply the utilisation of standard social defence mechanisms, and any other approach would be distinctly surprising. It points to the fact that inconsistencies are likely to exist empirically. Non-executive directors, both in relation to other non-executive directors and to their own behaviour, may treat such inconsistencies with contempt, defining them as incompetence. However, it is possible, and is indicated by the informal data, that 'breaches' of 'correct' role performance may equally be treated with tolerance, or used to form the basis of anecdotal material. There is a greater flexibility in 'real-life' role performance than the construction of ideal types from prescriptive statements can possibly take into account.

It should be noted that where members are either obliged, or inclined, circumstantially or otherwise, to perform their role in a way not strictly in accordance withthe ideal type, they construct for themselves a framework which validates their actions, and which is ultimately related closely to the prescriptions for 'correct' role performance. The existance among members of such validating frameworks substantiates our grounds for treatment of them as a collectivity.

It is possible that the ability to use, interpret or discard the available prescriptions is in itself a factor relevant to competent performance as a non-executive director. Since the role of the non-executive director has a certain marginal quality, one would expect the non-executive director to be aware of prescriptions for role performance,

and inclined to interpret and utilise such prescriptions in order to manage, and possibly diminish, his marginal status. From the interviews conducted, this does appear to be a process which takes place. Many non-executive directors in fact quote written sources (newspaper and journal articles etc.) to explain boardroom situations and to analyse their own status and responsibilities.

It would appear to be a fair conclusion that, although the theoretical frameworks and value systems constructed by members around their activities as non-executive directors are less formal, more flexible, and more fraught with inconsistencies and lacunae than the ideal type constructed, they are, broadly speaking, in accord with it, or recognisably related to it in some sense.

C H A P T E R   F I V E

<u>THERE WILL BE DETAILED CONSIDERATION OF WHAT APPEARS TO BE A KEY AREA</u>

<u>IN ADEQUATE ROLE PERFORMANCE, WHICH IS THE CREATION OF RELATIONSHIPS</u>

<u>WITH SENIOR EXECUTIVES; THAT IS, THERE WILL BE DISCUSSION OF SUCH AREAS</u>

<u>AS THE INTERACTIONS THAT MAKE FOR SUCH RELATIONSHIPS, THE PROBLEMS THAT</u>

<u>OCCUR IN GENERATING RELATIONSHIPS, MEMBERS' UNDERSTANDING OF WHAT</u>

<u>CONSTITUTES AN ADEQUATE RELATIONSHIP.</u>

In this chapter there will be examination of one key area of competent

role performance, vis, the creation and maintence by the non-executive

director of adequate relationships with other directors on the board,

both executive and non-executive. The ability of the non-executive

director to perform his role is obviously dependent on the nature of

his interactions with and relationships with other board members.

This area of discussion might profitably be broken down under four

major headings.

1)   What might be regarded as the social aspect of board membership, in

that it is necessary for all directors to have a kind of minimum quality

of working relationship with each other in order for the board to funct-

ion efficiently, or indeed at all. It is a possibility that non-execut-

ive directors may often feel the need to have 'better' relationships

with their colleagues than is the case with the executive board members.

This proposition relates to the fact that in many boardrooms the non-

executive director is, or perceives himself to be, a fairly marginal

figure.

2)   The relationships with non-executive directors have with one another,

where there is more than one non-executive director on a board. It is

of interest to attempt to determine whether non-executive directors feel

themselves to be each others' natural allies or perhaps adversaries, or

perhaps simply not relevant in terms of forming relationships of
particular importance. The factors affecting such relationships would
also be of interest, these factors being such things as shareholding
interests, common areas of experience, etc.

3) The relationships formed between the non-executive director and
his executive colleagues. Here there are issues such as how closely
the non-executive director should relate to the insiders, what kind of
relationship enables the non-executive director (as he perceives it) to
perform his role with the greatest efficiency, how the insiders regard
the non-executive director and to what extent they are prepared to accept
him as a competent performer in that boardroom.

4) The relationship between the non-executive director and the chair-
man, or chief executive of the company. The most important relationship
tends to be seen by the non-executive director as being that with the
chairman or chief executive. (Chairmen and chief executives are often
one and the same person. Where the chief executive is not also the chair-
man, this would cause the non-executive director to have a key relation-
ship with two people rather than just one). Since the chairman controls
the boardroom very directly, and is therefore at least potentially a
more powerful figure than his colleagues, he is presumably considered
to be worth 'cultivating'. Similarly the chief executive, as the man
with the ultimate power over the actual operation of the company on a
day-to-day basis, is considered to be a worthwhile ally.

1. <u>The Social Aspect of Boardroom Relationships</u>

A certain quality of relationship between all the board members would
appear to be necessary in order to enable the board to operate. This
is, perhaps, self-evident to some extent, since people who are, for
instance, not on speaking terms, might find it difficult to transact
business with one another. This has been discussed in the previous

chapter, in relation to the social criteria for competent membership of the collectivity of non-executive directors. We have examined in some detail the ways in which the non-executive director must correspond to the norms of any board with which he works, in order to be permitted to perform his role, and in order to be seen as competent. This is obviously relevant to the question of boardroom relationships, since what we are attempting to discuss here is the purely social aspect of relationships between all directors. Since the non-executive director, by virtue of his curious position in the organisational hierarchy, is often a marginal figure in the boardroom, it would be natural to suppose that most, if not all of the non-executive directors interviewed express fairly strongly the importance of smooth interaction between all directors. This is not to say that they would feel it necessary to be a 'friend' of all their fellow-directors, but that they would lay emphasis on the important of adequate colleague-to-colleague relationships. As expressed in one interview:

> 'If you've got a board of directors, they obviously have to
> work for the time they're together, which may be no more
> than half a day a month, but during that time they obviously
> have to work together and fit together...the ability to get
> on with them...the ability to communicate and exchange views
> amicably, and disagree amicably, is important, and when you
> sit round in council presumably what you're doing is
> communicating with each other...'

The interviewee also suggests that this would be true of any work activity involving interaction with others. The stress on amicability is extremely noticable, as is the stress on the ability to communicate. The non-executive director as a professional communicator has been discussed in the preceding chapter, as has also the quality of 'non-abrasiveness' as a criterion for competent membership of the collectivity labelled non-executive directors. There is no implication that it is necessary to be friendly. The ability to 'get on with' people, to preserve what might be regarded as a facade of amicability, is simply

seen as a necessary requirement for competent role performance. The non-executive director might (and probably often does) thoroughly dis-like his colleagues. What is of importance is that relations should never be such that this is apparent. For any body of men to be able to discuss contingencies and make collective decisions (usually at least nominally by consensus of opinion, of which more later) it is necessary that they should not be overtly aggressive. The amicable face of the non-executive director is a necessity for the oiling of the decision-making machinery. From another interview:

> 'There is not much use for a prickly outsider because people are not prepared to put up with the aggro. The ease with which people talk to you is very important especially for information gathering...'

The non-executive director must have this essential quality of 'non-abrasiveness' to perform his role effectively. At the same time, 'getting on with' people is not seen as a matter of friendship, but as a necessary attribute of the competent member of the collectivity of non-executive directors, and indeed of the collectivity of directors. The non-executive director needs to have amicable relationships with others, needs to be able to talk to people with ease, in order, among other things, to obtain information. The view is expressed that:

> 'It is more a question of consulting skills than of being pleasant in the normal sense.'

The being pleasant is a means to an end. It enables the non-executive director to obtain information, and to express disagreement on matters before the board without arousing antagonism, or at any rate without arousing excessive antagonism.

> 'The central role of the non-executive director is the asking of awkward questions. His role is getting the answers. For this, a high order of skill is needed, both social and tech-nical. It is necessary to be listened to. There is the point that asking too many awkward questions can cause you to be regarded with disfavour and even removed from the board.'

The non-executive director's perception of himself as a marginal figure

will probably influence the extent to which he feels amicable relations with his colleagues are a necessity. This particular exposition of the function of the non-executive director is full of implications regarding the marginal quality of his role. Our data suggests the following 'model' of member rationality that expresses and also accomodates (for the member) this perception of marginality of relationships and the consequent features that surround the creation of non-abrasive relationships. Although his role should, he feels, consist in the ability to ask 'awkward' questions, and the ability to obtain answers to same, it is obviously regarded as a role requiring all his reserves of tact and diplomacy if he is not to fall into disfavour. The ability to 'disagree amicably' is tremendously important, and therefore the ability to build and maintain amicable relations with fellow-directors will also be tremendously important. He perceives it as remarkably easy to become a sufficient irritant to warrant removal from the board, unless he can present his questions, suggestions, or disagreements in such a way as not to offend his fellow-directors. Since he perceives his position as a marginal one, his need to remain on good terms with other board members is likely to be perceived as very great. This perception might be somewhat different from that of an executive director, while still needing to relate to the relevant others in such a way that decision-making activities may proceed smoothly, would probably not lay such heavy emphasis on this as vital to his role.

In an interview with a company managing director (who also acted as a non-executive director) the interactions that take place in a boardroom are described thus:

> '...you could regard them like, you know, concentrating a ball game into a two hour period within close confines and rules, you'll soon find the winner, or animals in a pen where they're adversaries, you soon find how they measure up'.

Since a board meeting deals with the work of a month, or a quarter, in a very short space of time, and in a reasonably rule-bound fashion, he regards it as an arena within which to study performance, identify winners and losers. This is a far more power-based view of boardroom interaction than most non-executive directors would express, and in this instance helps us to suggest certain areas of differing perception as between inside and outside directors. The difference appears only by implication, but would appear to be quite considerable. It is of assistance in affirming the marginal quality of the role of many non-executive directors, by proving a contrast to the way such non-executive directors perceive interaction in the boardroom and their own participation in such interaction. An outsider, whose role may well be a marginal one as well as an ambiguous one may feel he cannot afford to fall into any kind of disrepute through ever being less than consumately diplomatic and amenable. From another interview we have the statement that:

> 'A general bonhomie is very important in the life of the board, as a means to reaching consensus. It is necessary to know one another as people.'

This is further confirmation that a certain level of good working relationships between directors is necessary, and that the level of relationships stops a long way short of friendship. It is necessary to be 'bonhomous', it is necessary to 'get to know one another as people', but only because this is a means of reaching consensus. It is a completely pragmatic view of personal relations. If people must appear to have pleasant, amicable personalities, if they must be on good terms with one and all, in order for decisions to be made, then all well and good, people will behave in that way. There is no suggestion of there being any element of personal feeling involved at all. What is being discussed is the proper type of facade for a non-executive director (and to some extent, any director) to adopt. There is a certain level

of colleague-to-colleague relationship which all directors, but in particular non-executive directors, must maintain. They must maintain such relations because it is the only way in which decisions can be reached without fuss. Whether or not boards work by consensus decision-making at all times will be discussed in detail in the following chapter. Certainly, however, it appears to be important to the directors in most cases that they are seen to do so. Therefore, as previously discussed, abrasiveness or animosity must not be displayed by directors.

Part of this aspect of boardroom relationships is, as has been mentioned earlier and discussed at length in the preceding chapter, the ability of the non-executive director to conform to the norms of any particular board on which he sits. The non-executive director must be 'the sort of chap who will get on with us, whoever us is...' This interviewee goes on to say:

> '...I think it's important that at least on the surface it
> appears that he talks the same sort of language, and
> generally behaves in the same sort of way.'

Perhaps the important phrase is 'at least on the surface'. We are again involved in discussion of the necessary kinds of impression management for competent role performance. Whatever the non-executive director is actually like, he must appear to conform to his surroundings. This interviewee felt that this was a paramount factor regarding the appointment of non-executive directors. It is a factor that would be considered 'over and above' such criteria as his experience, his background, his area of specialisation. However, again it is a pragmatic, impersonal consideration. It has no connection with what sort of person the non-executive director actually is. What is being discussed is a type of protective colouration. The non-executive director must

<u>appear</u> to be 'the sort of chap who will get on with us'. The non-executive director should be:

> '...socially adept to the norms of that particular board,
> without defining what you mean by socially adept.'

The non-executive director should always 'fit in' with his board in such a way that the proceedures will continue to run smoothly. This is another facet of the 'minimum level' relationships under discussion. The non-executive director must never be, or never appear to be, the kind of person that would create any difficulties on a board. As an example, it is suggested that:

> '...if the board happens to be, the young man is sixty,
> and you've still got the chairman who's seventy five, and
> they bring in a bright wiz kid, no matter how bright he
> may be, his merits are unlikely to be recognised by all
> members of the board, because he's thirty or forty years
> younger than they are.'

In other words, although someone's age should not be, strictly speaking, a relevant criterion for making or not making that person a director, there may be instances where it becomes relevant. On this hypothetically aged board, a young director would not be listened to, might be regarded with contempt or envy, prejudged to be dilettante or lightweight. He would obviously be more trouble than would be worth while.

'...he'd find it intolerable, and they might find him intolerable.'
This is, perhaps, a rather particular type of example, and of course it is difficult for one to dissimulate about one's age. The basic idea however, is straightforward. If the non-executive director does not appear to fit in (and appearance is all that seems to matter) then he will be disruptive to the decision-making process, and therefore more of a liability than an asset. The appearance and behaviour of the non-executive director must conform to that of his colleagues, otherwise he will never achieve any satisfactory working relationship with his colleagues, and will therefore never achieve competent membership in

that particular situation.

To sum up, then, in order for a non-executive director to be accorded the status of competence in any particular boardroom, he must maintain very carefully an adequate level of understanding with all his fellow-directors. This understanding will probably be the result of painstaking amiability and diplomacy, coupled with a willingness and ability to conform to whatever the existing group norms might be. He must be possessed of, or rapidly acquire, the 'common language' of that collectivity, that board of directors. The type of relationship he should develop, considered at this level, would not (necessarily) be 'friendly', but must be what one non-executive director described as 'a good working relationship'. He must, in some sense, become integrated into the existing structure before he is able to perform his role adequately. This integration becomes the vehicle by which he can make himself heard.

2. Relationships Between Fellow Non-Executive Directors.
The types of relationship a non-executive director might have with other non-executive directors serving on the same board will, for obvious reasons, be fairly diverse. Non-executive directors are appointed for a variety of different reasons, and each boardroom represents, in some respects, a unique climate.

> '...there is, in fact, I would have thought, no such thing as
> a typical board, but they are all going to vary enormously...'

Although certain structures and procedures are prescribed by legislation or laid down in the company's articles of assocation, and although all boards of directors could be said, ultimately, to be concerned with fulfilling the same function in any company, the nature of boards will

vary enormously, according to the type of business, the personality of
the chairman and other directors, the size of the company, and so on.
While we can, in certain ways, demonstrate that non-executive directors
do share a set of cultural norms, and can be considered as a collect-
ivity, it would be by no means true to say that they invariably share
common cause in the boardroom. Non-executive directors may, for
instance, be appointed onto the same board at the behest of conflicting
shareholding interests, so, while they might recognise one another as
competent performers in the role of non-executive director, they might
be expected not to have any commonality of interest. All that is
possible to do here is to examine some of the views put forward.

Let us begin with the case of a non-executive director who is the only
outside director on his board, and who consequently feels himself in a
position of relative isolation. He says:

> 'There is no one for the sole outsider to talk to about
> the company.'

He obviously feels that there should be other outsiders, and that if
there were, they would be his allies, his escape from isolation. He
would be able to discuss the company with them in a way that he cannot
with the insiders. The feeling in this case seems to be that the more
non-executive directors there are, whatever the reason for their appoint-
ment, the more influential they will be. There is a kind of expectation
that non-executive directors will naturally collaborate with each other.
He says:

> 'There needs to be a certain critical number of outsiders
> before board procedures are adapted to take care of their
> needs.'

He appears to perceive the needs and requirements of all outsiders as
being of a similar kind. Of course, this viewpoint is readily

explicable in terms of this non-executive director's position as the

only outsider on his board, but the point he makes about adaptation of

procedures is likely to be a valid one.

The idea that all non-executive directors are likely to share the same

viewpoint is mirrored in other interviews. For instance:

> 'My experience is that non-executive directors as a body
> usually have a view about long-term policy, which they
> try to impress, as a body, on the executive...'

This is a clear support for the view that all non-executive directors

think alike. They are likely to draw together to develop a long-term

policy and then attempt to steamroller the executives into carrying it

out. This is a rather simplistic description of the way in which

alliances are formed and policies augmented, but in a generalised way

subscribes to the notion of a commonality of view among non-executive

directors, and an allegiance of non-executive directors to one another.

Again:

> '...where the executive directors are weak and ineffective..
> you will find that the chairman and/or a group of non-
> executive directors will get together a cabal who will
> get the M.D. and possibly some other directors out, get
> them sacked...'

It is obviously expected that the non-executive directors will share a

view of what constitutes inadequate performance from the executive, and

that they will, almost automatically, draw together to remedy the defect.

In fact, there is again the assumption that non-executive directors are

each others' natural allies.

However, while it might be fair to say that members make a generalised

assumption that non-executive directors will tend to be natural allies

and will support each other on most issues, this assumption is an

idealised notion of what will happen, rather than a factual statement

of what actually does happen. While non-executive directors may in fact feel that, as fellow members of this collectivity they are likely to support each other, and to concur on most items of policy, this does not necessarily occur in all cases, when we examine descriptions of alliances in specific boardrooms. Directors appointed on behalf of a specific interest group, while forming allegiances with other directors appointed on the same basis, do not support such directors as might be regarded as supporting a rival interest. It is possible that the objectives of the shareholders behind the appointments are likely to be of a conflicting nature.

In theory, the basis on which a director is appointed should have no bearing on his behaviour when he joins a board. When the interviewer asked a director who was appointed onto a board as a representative of a merchant bank, whether this affected his status and behaviour in the boardroom, he replied:

> 'It ought not to...because once in the company, the theory
> is that you serve the company who pay you, not (the bank).'

In fact this response carries an implication that the basis of appointment does affect a director's position on a board. 'It ought not to...', 'the theory is that...', suggests that in practice it does, and while theories are all very well, they may not accord with actions. It can be seen that a director whose appointment is secured by a substantial weight of shareholding would be in a somewhat invidious position if he were to act in a manner contrary to that which the shareholders perceived to be in their interests. Shareholders can appoint directors, and conversely, can remove them. It would be reasonable to suppose that a director appointed by a large shareholding interest is more than liable to be partisan. He is likely to form alliances with other non-

executive directors appointed on the same basis, since, other

considerations apart, such alliances are likely to be of assistance

in carrying policy decisions at board meetings. It would be unreason-

able to expect him to regard all other non-executive directors as

natural allies, since they may be appointed at the behest of some

interest which, directly or indirectly, is likely to conflict with

his own basis of appointment.

Perhaps we could modify the initial generalisation made by members, that

all non- executive directors are each others' allies, to say that this

may be so, but not where they are appointed onto a specific board by

conflicting interest groups.

Continuing, we have the comment made in one interview that:

> 'In Co. R. a combination of (the non-executive chairman) and
> myself would lead the rest of the board, and it would be
> very unlikely that the rest of the board would disagree
> with us if we were both combined and strongly in favour
> of something, because they would tend to acknowledge that
> we have greater experience than they do, and they would
> therefore be willing to follow our lead.'

Here, then, we have a case where two non-executive board members, _if_

they are in agreement on an issue, can carry the rest of the board

simply by _being_ in agreement. This would appear to be on the basis

that the weight of their combined industrial experience so far out-

reaches that of the other board members that they would feel themselves

to be in no position to disagree with any line of policy put forward

by both jointly. The degree of influence exercised by this occasional

two-man alliance does not appear, from the interview data, to be based

on anything but the experience and 'track record' of the two men

concerned. It is considered that, where these two are not in agreement

decisions could go either way, but where they are in accord they would

be unlikely to meet with resistance. There is no suggestion that
these two men do invariably adopt the same attitude to questions of
policy, simply that when they do, they become an invincible combination.

If this is the case in one boardroom, it might well be that similar
mechanisms operate on many boards. It would, of course, be highly
dependent on the varying degrees of experience of all or any members of
a particular board. It would be foolish to attempt generalisation from
one example quoted in the data, but at the same time it is, perhaps, a
reasonable suggestion that non-executive directors with similar back-
grounds in terms of types and degrees of experience would be likely to
take similar viewpoints on many issues, and likely to carry considerable
weight if and when such alliances are formed, if their experience is
considerable and their judgement respected.

Finally, in this section, there is the case where a non-executive
director might find the formation of any special relationship with
other non-executive colleagues irrelevant to performance of his role.
In one of the interviews conducted, the non-executive director in
question has one other non-executive colleague, on a board comprising
six members. When asked about the relevance of the proportion of non-
executives to executives on company boards, he expresses the view that
in his particular case it is not a relevant factor at all. As he
describes the situation:

> 'The chairman and the, my other part-time director have
> been together, financially, for at least twenty years...
> he's seen as a father-figure. I mean, he's seventy now
> you see.'

He believes that all his executive colleagues will have such widely
differing perceptions of himself and of the other non-executive

director that there is little likelihood of any common ground or common interest between the two non-executive directors. The other non-executive director is approximately twice his own age. He has been with the firm twenty years, as opposed to this non-executive director's appointment of four years standing. The other non-executive director's relationship with all the executive board members is perceived as being vastly different than his own.

> '...he's no, sort of, all non-execs, all girls together,
> approach at all. So the impact I have is nothing to do,
> I suspect, with him. Possibly the reverse, because I'm
> so different in age from him, you see, and I would also
> say that in, sort of, social skills...he is so, well smooth
> is the wrong word, but so unthreatening you see...'

By implication, he sees himself as more 'threatening'. His colleague is a trusted 'father figure', in everyone's confidence because of being 'unthreatening'. There is a suggestion that due to his advanced age, the other's thinking is perhaps not as clear as it might be. This non-executive director perhaps sees his role as in some way tougher or more entrepreneurial. Perhaps he feels that the presence of this kindly father-figure occupying what is nominally the same role as his own, in some way detracts from his own 'impact'.

However, there is a progression in this interview from the specific to the general. In this specific instance this non-executive director regards any relationship between him and his non-executive colleague as irrelevant. Possibly he regards the presence of his colleague as detrimental to his own status. He does, however, go on to state as a proposition that non-executive directors should not be in a position of having to rely on each others' support to influence policy:

> 'I can understand that the more non-execs you have, the
> stronger the non-execs could feel, but on the other hand
> I think that people that think like that can't really
> have much balls, you know, because if they feel, you've
> got to get all the non-execs round you to make the thrust,
> I mean...'

Translating from the vernacular, the drift of the argument would appear to be that the non-executive director should ideally be a staunch individualist, strong enough to single-handedly gain and utilise the influence he needs to have an affect on company policy. People who feel the need to cling together to put forward a policy are seen as being too weak individually to be effective. A collective approach simply signals the weakness of the individuals concerned. The non-executive director should be prepared to stand up and be counted, as it were, in his own right. If he is not, then his much vaunted independence of view is under suspicion. Of course, in this instance, there is obviously room for the assumption that this non-executive director is simply using his own specific position on one particular board as a basis from which to generate prescriptions for how non-executive directors on all other boards should perform their roles. This kind of mechanism may well be in operation whenever any member of the collectivity produces generalisations or prescriptions regarding competent role performance, of whatever kind.

So, to sum up this section very briefly, there seems to be a feeling among members that non-executive directors are generally each others' allies in the boardroom. This feeling has more the air of a theory or hypothesis, of something that should happen, rather than of something that does always happen. We can tentatively suggest that non-executive directors whose basis of appointment rests with the same shareholding interest have a fairly high probability of becoming allied to one another. We can also suggest that non-executive directors with similar background and experience may well end up as allies. There is also the possibility that some non-executive directors regard the taking of a solitary stance as a more correct approach to role performance.

3. Relationships Between Non-Executive Directors and Executives

This section of the chapter is linked, perhaps almost inextricably, with both the first section, concerning the social aspects of boardroom relationships, and with the section concerning the relationship between the non-executive director and the chief executive and/or chairman, below. The interconnection with the remarks made on general aspects of boardroom relationships occurs because in order for the non-executive director to perform his role competently, it will be necessary (in most cases) for him to be perceived by his executive colleagues as a competent member of that board. This aspect of the relationships between non-executive directors and executives has been covered to a considerable extent in the first section.

Possibly it is more constructive to begin by examining the nature of the 'correct' relationship of non-executive directors to executive directors (as perceived by the non-executive directors). As has been remarked in the first section, it is not generally considered necessary for directors to have relationships with each other close enough to be described as friendships. With regard to relations between non-executive directors and their executive colleagues, some members consider that friendship with the insiders is positively detrimental to competent role performance. As expressed by one non-executive director interviewed:

> 'If you are very friendly with your colleagues, then you
> tend to have a different working relationship. Your
> judgement may be distorted by deeper knowledge of the
> insiders. Friendship can get in the way of judgement.'

The argument appears to be that if the non-executive director develops relationships with the executives that are too close, too friendly, he may lose his objectivity. He may tend to start to view the company's

affairs from an insider's perspective and in fact cease to play the role of <u>non-executive</u> director. An analogy is made by this non-executive director during the course of the interview between executive directors and feudal barons, since the executives are ultimately responsible to their chief executive in their functional capacities, and ultimately dependent on him for the continuation of their jobs and salaries. As this non-executive director expresses it, 'barons can be bought'. This would, of necessity, have an effect on their viewpoint on company affairs. The feeling seems to be that executives are bound to be partisans in terms of their relationship with the chief executive. If non-executive directors become too friendly with the executives, this partisan viewpoint may, in some way, rub off, and the non-executive director will lose the all-important quality of objectivity. By taking an insider perspective on company affairs the non-executive director in some way puts himself in the position of also, potentially, 'being bought'. There is obviously a very precise balancing act involved here. It is necessary for the non-executive director to be on 'good' terms with his executive colleagues in order (1) for boardroom procedures to operate smoothly, and (2) because the executives may prove to be a vital source of information to the non-executive director. The executives will inevitably be better informed about company affairs than an outsider could possibly be (albeit from a very different perspective). The difference between 'good' relationships and 'friendly' relationships is perceived as being far more important than merely a question of semantics, and this difference is mentioned in several other interviews. For instance:

> 'The fact that they don't swear at you in public, the fact
> that they even drink their pink gins with you, the fact
> that - would you actually invite them for dinner at home?
> That's one of the crucial tests. No, I wouldn't and
> neither would they.'

This seems to be an attempt to define in social terms the boundaries of acceptable relationship between the non-executive director and the executives. They would be on sufficiently good terms to have a drink together, but not to visit one another's homes for dinner. The latter is considered a 'crucial test' of the intimacy of a relationship. It is the removal of the relation from being a business relationship to becoming a personal, social relationship that is perhaps considered as going too far.

It is necessary for competent role performance that the non-executive director is perceived by the executives as in fact being a competent performer, as has previously been mentioned.

> '...unless they become important strategists for the
> company as a whole, I think their views tend not to be
> respected by the executives, and therefore are not acted
> upon, and however influential a group of non-executive
> directors might be, if they haven't got the instrument
> to carry out their work in the form of an executive, an
> efficient executive, nothing will happen.'

So there is a kind of dependency relationship between non-executive directors and executives. The non-executive director needs to keep the good opinion of his executive colleagues, since they are, after all, the people who will eventually implement (or not) the decisions which he is instrumental in reaching. Even if one non-executive director, or a group of non-executive directors, are highly influential as regards decision-making, without the support of the executives this may well be unimportant. The relationship is by no means to do with the non-executive directors being on good terms with the executives in a social context, although this is likely to be part and parcel of the kind of relationship thought to be necessary. The executives must perceive the non-executive directors as being competent within their roles. They must be perceived to fulfill whatever criteria the

executives regard as significant. The decisions which they propose or support must be seen as 'correct' or competent. The non-executive directors must know what they are doing and be seen to know. The non-executive director simply attends board meetings and helps to formulate company policy; the executive director is responsible for carrying that policy out in an on-going situation. The two sub-species of director, then, have a relationship of mutual dependency, to some extent. The formulating and implementing of policy is dependent on the relations between them. The non-executive director may often feel himself more dependent on the executives than they on him, although this is not invariably the case. From another interview:

> 'I'm only ever in a position to offer opinions on things
> I'm asked for opinions on. Therefore the nature of the
> relationship really depends on how you're perceived and
> how you perceive them.'

'Them' would appear to refer to the executive board members. This non-executive director perceives himself as dependent on their good-will in performing his role. If they do not ask him, he cannot answer, and it is therefore necessary that all of 'them' regard him in a sympathetic light. He himself considers that this relates to the perceptions of the parties concerned. He says:

> 'You can't even offer advice if they don't give you the
> information on which to offer advice.'

He feels the insiders have a large measure of control over his sphere of activities, since they are possessed of all the necessary information, and they may choose to withhold such information unless a non-executive director is favourably regarded. The outside director may be controlled by controlling the information he receives. If a non-executive director is not well-liked, he will probably not be well-informed either, and will therefore be unable to take a useful part in the life of the board. Other non-executive directors interviewed tend

not to regard the issue of information as particularly crucial, and

believe that they can obtain all information that they feel necessary.

Perhaps this emphasis on information is just an indication of the non-

executive director's feeling of relative dependency on the executives

in terms of role performance. Again, however, this may be related to

the rather marginal and ambiguous status of many non-executive directors.

To balance this, there is this remark from another interview:

> 'The one job you can say that the non-executive directors
> should do is to hire and fire the chief executive...the
> ability to hire and fire the executives has been demon-
> strated and done by the non-executives of Co. R.'

This non-executive director also suggests that hiring and firing chief

executives is an activity that should be done 'well and frequently'.

In this case the dependency relationship is perceived as being rather

definitely reversed. The executives depend on the non-executive

directors for their continuation in their roles. So, although we can

see that executives and non-executive directors will have, as it were,

a kind of symbiotic relationship, the precise nature of the relation-

ship, the weighting and operation of it, will depend on individual sets

of circumstances. For the non-executive director to feel more dependent

on his executive colleagues than they on him appears to be more usual,

but by no means invariable. We can speculate that it is likely to be

more usual because of the marginal, poorly defined role allocated to

many non-executive directors.

Let us, finally, consider some data which also relates to the section

following, concerning relationships between non-executive directors

and chairmen and/or chief executives. In one interview, a non-executive

director discusses a very particular set of difficulties concerning

his relationships with his executive colleagues, arising from the

manner in which he was appointed. He explains:

> 'I was appointed, I suspect, for the reason which a lot
> of non-executives are appointed. I was a direct appointee
> of the chairman, who was also chief executive in this
> organisation.'

This method of appointment would seem to have produced considerable

difficulties for the non-executive director in his interactions with

the executive directors, who predominated on this particular board.

He discusses the difficulties he has experienced in generating adequate

relationships with his executive colleagues at some length. One aspect

of these difficulties appears to be that he felt himself to be initially

unacceptable to his colleagues by reason of the difference in age

between them and himself.

> 'You see, the other directors of the company were, with
> one exception, all over fifty, the one who is about forty
> five now, so he'd be, what, about forty one, he had
> waited, in effect, ten years to get onto that board, and
> I suppose to him it could have seemed like quite a slap
> in the face, whereas here was this young whipper-snapper
> coming from the outside, or younger whipper-snapper...
> so I should think that he wouldn't like it at all, and
> the other, chief executive of the X division, he certainly
> has taken four years to come round to the idea that I can
> make any contribution at all.'

Oddly enough, this question of fairly wide age difference between one

director and the rest of the board was discussed hypothetically in

another interview (see section 1). The hypothesis put forward was

that a wide difference in age alone might make a director completely

unacceptable on a particular board, without any other factors being

taken into consideration. In the case of his non-executive director,

there is the additional disadvantage of being appointed by the chairman,

and in fact this seems to be regarded as far more problematic than the

non-executive director's relative youthfulness. It would appear, then,

that from the very beginning this non-executive director was confronted

with enormous problems regarding his relationship with every other

director on the board except for the chairman who was responsible for his appointment. He seems to be very aware that they regarded him as being perhaps some form of presumptuous 'wiz kid', perhaps merely a useless, if decorative, crony of the chairman's. Given that there would appear to have been a great deal of jealousy around his appointment, because of his relative youthfulness for a director and because of his connection with the chairman, he would inevitably have severe difficulties even beginning to establish reasonable working relationships with his colleagues. He mentions that it has taken him four years to reach any kind of understanding with one other director at least. This would necessarily be something of a handicap in the performance of his role.

> 'Well, you see, any non-executive director who is appointed by a chairman must be seen as the eyes and ears of the chairman, his fifth columnist is many ways...'

Any director linked too closely to the chairman becomes suspect. Other directors feel him to represent the chairman's opinion rather than his own and they are very unlikely to repose any confidence in him.

> 'So if they tell me something, they may suspect that I will tell the chairman that something, so getting me in confidence is very difficult, I would say.'

He goes on to describe his position with regard to his fellow-directors. By this time some confide in him, others still do not, and others are just beginning to feel this is a possibility. Since this non-executive director has been on the board of this particular company for four years, it is apparent that he has had a very considerable struggle to establish even adequate working relationships with his colleagues, due to the method by which he was appointed and (probably) his age. He comments later in the interview:

> 'The X guy sees me as the chairman's lad, I know he sees
> me as the chairman's lad. The Y guy I think used to see

me as the chairman's indulgence. I think he now sees me
as being fairly powerful, because now and then, in flashes
of irritation it'll be, he'll say to the chairman, "you've
been talking to (this non-executive director) again too
much".'

So he is in the unhappy position of being regarded, by at least one

other director, as the cipher or puppet of the chairman, and by another

as a source of undue influence on the chairman. It would seem that

his position can hardly be very comfortable. It appears from the

interview that the chairman regards him as being in some way a balanc-

ing factor or arbiter between two powerful heads of divisions, the X

and Y referred to above. This wouldbe unlikely to give him a

spectacular degree of popularity with X and Y. While he might well be

objective about the company's affairs, he certainly will not appear to

be, and this is an important factor as regards his ability to form

relationships with other colleagues. Any director who sees a colleague

as being the 'chairman's lad', the chairman's eyes and ears, is going to

treat that colleague with the greatest circumspection.

He himself is critical of the manner in which he was appointed:

'You see, if the board sits down and says, as a whole board,
we want an outsider, we must have somebody from the
outside, and they feel involved in the criteria and the
ranking of those criteria, and the choice of the person,
and so on, then they would be as involved as the chairman,
obviously, because he would just be one person in all
this. If you're brought in by the chairman as the chairman's
recommendation, then since he is the chairman, they would
be unlikely to go against that person, but it really depends
whether they're involved in the decision, or whether it's
brought to them for ratification, and in my case it was the
latter...'

He goes on to say that, regarding any future appointment of non-

executive directors, he will do all he can to ensure that the entire

board is involved in the appointment, 'Otherwise they'll have a very

uncomfortable sort of early honeymoon period'. He has evidently

suffered this uncomfortable kind of beginning himself and can see that
it is not generally a good idea. The non-executive director who is
appointee of and friend to the chairman is likely to be influential
with the chairman and consequently distrusted by his other colleagues,
and this is not likely to make for smooth running of board meetings,
among other things. This, of course, ties up with comments made in
section 1 on the necessity for a resonable level of relationships
between co-directors to facilitate smooth procedural performance.

It is possible to briefly summarise the member theory of relationships
between non-executive directors and executive directors as discussed
above, in a fairly systematic manner, as follows:

1.   The non-executive director should not be 'too friendly' with his
executive colleagues since this may affect his judgement and endanger
his objective viewpoint.

2.   It is, however, vital for the non-executive director to maintain
what are referred to as 'good working relationships' with his executive
colleagues. There are many different reasons for this, but three in
particular have been pointed out by non-executive directors interviewed.
These are:

   (1) The need for the board to operate smoothly in a procedural
        sense. 'Good' relationships are necessary for the process
        of consensus decision-making to operate efficiently.

   (2) The non-executive directors will, because of their lesser
        commitment to a company in terms of time spent with that
        company, be less well informed about many aspects of company
        affairs than their executive colleagues. The executives may
        therefore often represent a vital source of information for
        the non-executive director.

(3) The non-executive director must be seen as a competent
member of his board in order for the executives to be
prepared to implement decisions in which he has been involved,
or at least to implement them in a wholehearted manner.

3. The relationship between non-executive directors and executives
should, following from point 1 above, be a business relationship rather
than in any sense a social or personal relationship.

4. The relationship is one of mutual dependency. Non-executive
directors and executives do often need each other's help and support.
The weighting of the dependency will vary according to company since
different boards have different numbers and structures. However, it
appears that as a general proposition the non-executive directors tend
to feel more dependent on their executive colleagues than vice versa.

5. Where a non-executive director is appointed directly by a chairman
or chief executive (and the researcher is given to understand that this
is quite often the case) it is possible that the non-executive director
will experience severe difficulties establishing satisfactory relation-
ships with the executive board members. The executives are likely to
distrust the non-executive director from the beginning, due to being
unsure whether he is an independent director representing his own point
of view, or whether he is, in some sense, an agent of the chairman.

4. Relationships Between Non-Executive Directors and Chairmen and/or
   Chief Executives.

Firstly, let us examine the tangle created by the two appelations,
chairman and chief executive (or managing director, depending on the
terminology used by individual companies). Are we discussing the
relationship a non-executive director has with one man occupying both
roles, or two different individuals? The answer to this question is

that this, of course, is dependent on the company. The non-executive
director may work with several companies which have differing practices
as regards the allocation of these roles. Examination of survey data
suggests that a considerable number of companies, perhaps a majority,
do in fact have one person occupying both roles. When one considers
that most surveys deal with medium to large publicly quoted companies,
it is possible to suggest that the incidence of dual role occupancy is
perhaps even higher than survey results lead us to believe. It is
reasonable to suppose that in smaller, private companies there will be
a higher incidence of dual role occupancy, since many companies origin-
ate as 'one-man businesses', and in any event the dual role is likely
to be perceived as more efficient where the number of employees is
small. However, it is of interest to note that the mass of critical
opinion, both that of commentators and of working directors, regards
at least at a theoretic level this dual role as more than somewhat
undesirable (although of course the composite chief executive/chairmen
spoken to do not). For example, in a conversation with a leading
member of the Confederation of British Industry, the researcher was
informed that:

> 'It (the C.B.I.) is...in favour of the division of function
> between the chairman and the chief executive. Many companies
> still combine these functions. There are very strong
> arguments for separating them. The risks of combining them
> are:-
> 1) if the man gets too old or goes round the bend, he's
>   very difficult to remove.
> 2) he will be rather lonely, there is no-one he can talk
>   to or consult with.
> With the functions separated, the M.D. can go for advice
> and council to a relatively impartial chairman who knows
> the business. There is no risk of getting into a position
> where it becomes a dictatorship, which is possible with
> the functions combined.'

There is a degree of macabre fascination in what we may characterise
as the concept of a hapless company being piloted through the stormy

seas of British commerce by a lunatic dictator, but the issue raised

here at the theoretical level is relevant to everyday activities in

the boardroom. The combination of functions is definitely considered

to be a Bad Thing.

The matter is expressed by a non-executive director:

> 'You may have a company, of course, where the chairman is
> also the chief executive, or managing director depending
> on the title. This is a situation which I think is very
> undesirable indeed, very, very, undesirable.'

This non-executive director regards such a situation as not particularly

common, which is likely to be a reflection of his own previous service

as a director, rather than of the conduct of companies generally. The

same expression of the undoubted undesirability of the combined role

can be seen.

Again, in a conversation with a member of a firm of management consult-

ants (i.e. a commentator rather than an actor) we have the comment that:

> 'The relationship the non-executive directors have with
> the chairman will develop first, and will be most important.
> Later, relationships will develop with other board members
> that will have their own importance - that with the M.D.
> will be very important.'

The fact that the role of chairman and that of M.D. will be occupied

by separate people has the status of an implicit assumption. If they

in fact turned out to be the same person, one imagines the speaker

would consider himself confronted with a kind of malign divergence

from a pre-ordained norm.

However, in actual fact and notwithstanding the examples quoted, many

chairmen and M.Ds. do occupy a composite role, as has been explained.

With regard to interpretation of the interview data, it would appear

fair to say that non-executive directors who are dealing with chairmen who also act as chief executives do not, generally, perceive this as being abnormal or deleterious. This is likely to be because their industrial experience has been such that this combined role has the status of a norm. Where non-executive directors are working in organisations in which the functions of chairman and chief executive are separated, there seems to be a tendency to perceive the relationship with the chairman as most crucial, but the relationship with the chief executive as relatively crucial, more so than those with other board members (except under idiosyncratic circumstances). Primarily, then, it is the non-executive director's relationship with his chairman to which we should direct our attention. Many of the chairmen will also be chief executives. Where they are not, there is a secondary relationship with the chief executive which should also be considered.

Initially, it is again necessary to draw attention to the fact that the nature of the 'correct' relationship between non-executive director and chairman is unexplicated. It is not specified within any legal framework, or set of universally accepted rules of conduct. While there are prescriptive statements made by commentators as to what the 'correct' relationship should look like, the individual non-executive director may, or may not, use such prescriptions as a guideline. Such relationships as developed between non-executive directors and chairmen are likely to emerge through a process of negotiation between the actors rather than result as the product of a specific code of conduct. The relationship is 'created' rather than 'given'.

In assessing the varying characteristics of such relationships, it is perhaps a good starting point to consider the available data on non-

executive directors who feel themselves to have at any rate a reasonably
close relationship with their chairman. There is perhaps a perception
that such a relationship is essential for competent role performance.
As expressed in one interview:

> 'My ability to be any help whatsoever, I believe, depends
> on my understanding of the organisation itself, and also
> on the extent to which I have an intimate relationship
> of any sort with the chief executive or the very top man,
> you're just a waste of time unless he takes you into his
> confidence and sounds you out.'

This non-executive director rarely mentions relationships with other
directors. Most of his attention appears to be focussed on the nature
and extent of his relationship with the chairman/chief executive. He
feels his usefulness is in direct proportion to the closeness of this
relationship. Being in the confidence of the chairman/chief executive
is seen to be vital. He will provide the non-executive director with
information and ask him for opinions. If he does not, this non-
executive director seems to feel it to be unlikely that anyone else
will, and he will then be in a position of being unable to make a
contribution of any kind. It is worth noting that in this instance
the role of chairman/chief executive is a combined role. In at least
one instance described, the relationship with the chairman is perceived
as a crucial one at least in part because this non-executive director
is the only non-executive director sitting on a particular board.
Inside directors will be better informed on, and more closely acquainted
with, almost all aspects of company affairs. An outsider who does not
have the chairman's attention is felt not to be in a position to contri-
bute a great deal. Also, there is the recurring theme that inside
directors are, in terms of career advancement, dependent on the chief
executive. If this chief executive is also chairman, this will increase
the probability of certain patterns of behaviour in the boardroom.

> 'All the other guys are doing is voting for or against.
> There is a dependency relationship on the chief executive
> for the further development of a director.'

The non-executive director should therefore have an important role as

representing a more independent viewpoint. In order for this viewpoint

not to be perceived by the board as marginal or irrelevant, a close

relationship with the chairman becomes necessary.

Given the perceived necessity for a relatively close relationship

between non-executive director and chairman, particularly when the

chairman is also the chief executive, what will such a relationship

characteristically look like? It seems that, while non-executive

directors perceive the relationship as a close one, they do not perceive

it as in any sense undermining their independence and integrity. As

expressed in one interview:

> 'I'm the one guy who actually talks to the chief executive
> like a brother, in the two firms I work in. That's what
> he wants to hear, actually. The great majority of chief
> executives want someone with no axe to grind.'

The relationship is close enough to be likened to a family relationship.

The non-executive director appears to feel that he almost literally

'relates to' the chief executive. There is a level of trust as between

brothers, and this level of trust is such that plain speaking is in

order. The closeness of the relationship becomes the vehicle by which

the non-executive director is able to establish and maintain his

independent viewpoint. The non-executive director believes that this

independence is crucial to his function and can only be achieved by a

close relationship to the chief executive. He goes on:

> '...the chief executives I was relating to were the sort
> of guys who wanted to hear what I said. If the guy wanted
> some kind of sycophantic relationship, then I'm sure that's
> what he'd get, if you appoint the right guys for sycophancy
> then you get sycophancy. That's not been a problem for me,
> I've always told them exactly what I thought. I'll disagree
> with them, I've never been particularly supportive in that way.'

The non-executive director does see himself as being supportive, but not in the sense of adopting the role of a 'yes man'. He supports his chief executive precisely because he _is_ prepared to give an 'honest' opinion about any issue on which he is consulted. In order to be able to do so, he regards it as essential that there be a very high level of trust between chief executive and non-executive director. He says of the role non-executive directors should play:

> 'I would expect them typically to be absolutely frank
> on what they think, but to play their cards in such a
> way that they aren't undermining the chief executive
> or chairman, to be supportive, in that particular context,
> to the overall goals.'

It would appear that the non-executive director should be able to express a frank and honest opinion while, at the same time, being essentially supportive of policy decisions. While he might, in private conversation with the chief executive, express disagreement on policy issues, this disagreement should never be taken into the boardroom since this would be, effectively, failing to support the chief executive in the correct manner. The purpose of honest discussion, from an independent viewpoint, is to assist the chief executive to make decisions. However, if decisions are made which are not in accordance with the views of the non-executive director, he should produce no overt opposition. In this non-executive director's view there would be something very wrong if a non-executive director was in outright opposition to his chief executive. As he explains:

> 'If you come along as a regular habit and start shooting
> down the chairman's or chief executive's plans, you won't
> survive long as a non-executive director. You do your
> homework and you do your relating in such a way that
> you're not challenging their role.'

This appears reasonable enough. Any director who habitually and single-handedly snipes at the most powerful figures in the boardroom may well suffer an abrupt termination of his directorship.

Other interviews confirm and contribute to this picture of the nature of the relationship of non-executive director to chairman. A non-executive director who considers himself to have a better standing with his chairman (who is, again, also chief executive) than any other fellow directors because 'he trusts me', when asked to comment on factors affecting his influence, suggested that some factors might be:

> 'His (the chairman's) trust in me. Honestly, empathy...
> I have a fairly good business head on my shoulders, but
> I think the predominant ones are, I'll tell him straight
> and at the particular moment in the company's struggles
> that's really what he needs.'

So non-executive director and chairman have a relationship of mutual trust, mutual empathy, but in fact the non-executive director's value to the chairman rests on the preparedness to 'tell him straight'. The relationship is close enough, as perceived by the non-executive director, to allow for plain speaking. Again:

> '...I have tremendous love and care for him (the chairman)
> so that he can trust me to say what I really think is
> best for the organisation and for him, and he knows I
> won't get pushed about...It's really a character thing.'

Non-executive director and chairman obviously have a very close relationship. In fact one perhaps speculates as to whether, in this instance, the non-executive director might consider what is best for the chairman before considering what is best for the organisation, should there ever prove to be a conflict of interests. It is possible that other non-executive directors might consider having 'tremendous love and care' for their company chairman as perhaps going a little further than the cause of duty requires, although this is merely speculation. However, again we have the point that the level of trust is sufficient for the non-executive director to express an honest opinion even if it turns out to be an unencouraging one. Also we have confirmation of the 'family' nature of the relationship, again in exactly those terms. Arising out of the question of renumeration, we have the comment:

> '...both of us aren't doing it for that (the money) we're
> doing it for the chairman as a personal favour, and both
> of us, because we're very fond of the man, would do that
> like you do in a family.'

From another interview, a non-executive director, talking about one of the chief executives for whom he works, says that:

> 'It's rather like an uncle being a friend of the family,
> that type of relationship.'

Here, again, is the analogy between the relationship of chief executive and non-executive director to membership of the same family (in this case for no apparent reason an 'uncle' relationship). The non-executive director is well-trusted, reliable and relied on, because of the closeness of the relationship. Because of his independence and lack of close involvement, he becomes the only director with whom the chief executive can discuss the performance and futures of managers or other directors.

Another non-executive director describes the relationship between chief executive/chairman and non-executive director from (as it were) the other side of the fence:

> 'When I was group managing director of, what was it,
> 8500 men, with a lot of companies of which I was executive
> chairman what became obvious very quickly is that it's a
> very lonely sort of place, and you need someone to talk
> to, rather in the sense that it gets a bit dreary playing
> tennis against a brick wall.'

The same view has been expressed in other interviews that the 'top man' in a company may find himself very isolated, in the sense that he may have problems which he is unable to discuss with his executive colleagues. Part of the role of the non-executive director is seen as the amelioration of the chairman's (or chief executive's) 'loneliness'. Continuing with this non-executive director's tennis analogy:

> 'You need somebody really the other side of the net to
> send the ball back to you...'

So the function is to act as a kind of returner of ideas, a conversational foil.

> '...you want to talk to somebody who can listen in the
> right sort of way and can occasionally say to you, you're
> talking out of the back of your neck, that's a stupid
> idea, forget it...'

The non-executive director, then, is not a passive foil. He is sufficiently trusted, the relationship between chairman and non-executive director is good enough, for the non-executive director to be, at times, highly critical of the 'top man's' thinking. It appears that he is even permitted, in this context, to be 'abrasive', a thing which, as has previously been discussed (Chapter 4) is usually seen as anathema. To continue with the non-executive director's comments:

> '...or to say, no, I think that's right, or basically
> just to act as a sounding board so that you can speak
> your thoughts aloud, and all he may have to do is nod,
> tut tut, maybe sympathise, maybe encourage, and this is
> a function the non-executive director can do very usefully
> with the chairman of the company...'

It is not the business of the non-executive director to be entirely negative, but it is his business to react with complete honesty to ideas discussed with him. He must listen intelligently. He is a man to whom the chairman can talk about issues which it might not be appropriate to raise with executives, since he (the non-executive director) is less involved and (in theory) representative of a completely independent viewpoint on the company's affairs. It may be that he can fulfill a valid function without actually having to express any views or ideas at all. There is the suggestion that by providing a sympathetic ear, saying 'yes', 'no', and 'very interesting' in the appropriate places, he is making a valuable contribution to policy simply by allowing the chairman to talk through his problems and clarify his thoughts. There will obviously be occasions where this clarification process would be downright impolitic if conducted with the

executive directors:

> '...(the chairman) may have doubts, may have problems,
> maybe for whatever reason he wants a second opinion, and
> maybe he doesn't want to talk to his M.D. about it,
> because his doubts might be about his M.D. Again, the
> non-executive director can give unbiased views there.'

Clearly the performance or behaviour of insiders cannot be usefully

dealt with or considered without bias by the insiders themselves. The

chairman can only usefully talk over these problems with an outsider,

who would of necessity have to be someone in whom he had a high degree

of trust.

> 'I used to find with my own chairman and with one of the
> non-executive directors that it was almost theraputic to
> go and have an hour or so in their office and then go
> out and have dinner and continue talking, because it was
> a non-executive chairman I had as well as another non-
> executive director. It really was very valuable to me,
> and hopefully for the company, to be able to talk to
> them quite freely, without reservation, in a way you
> clearly couldn't talk to junior managing directors of
> the group or other directors or certainly managers.'

It is only possible to discuss certain issues with those who have no

personal stake in the outcome, the non-executive directors. The

relationship between chairman or chief executive and non-executive

director must be such that the former can trust the latter, for one

cannot 'talk freely' with those whom one does not trust.

So, considering some of the situations in which non-executive directors

perceive themselves as having reasonably close relationships with the

chairman and/or chief executive, it could be suggested that there are

some characteristic similarities. It appears that the relationship may

emerge from the frequently expressed prescriptive requirement that a

non-executive director should act as an advisor to his chairman.

The non-executive director is considered by such prescribers to be

uniquely suited to such an advisory role because, as one non-executive
director comments, 'he has no axe to grind'. He can advise his chair-
man with genuine objectivity since (theoretically) he is not dependent
on any one chairman in terms of career advancement or salary. He will
have the company's interests at heart rather than his own, since this
is supposedly an essential part of his remit.

Now, in order to become an effective advisor or consultant to his
chairman, the non-executive director appears to perceive a necessity
that the chairman certainly trusts him, and probably likes him.
Otherwise, there is no reason why his viewpoint should be taken into
account. The non-executive director needs to feel that this relation-
ship with the chairman should be close enough to encompass this element
of trust in order that he be encouraged to express his opinions and
have them taken into account. This would be the case particularly
where the opinions he is expressing might not be universally pleasing.
The type of relationship established is equated with relationships
within a family. The non-executive director 'talks like a brother' to
the chairman, his relationship is that of a member of the family, or
close family friend.

Given that the role of non-executive director is generally regarded as
that of the objective outsider, it is perhaps curious that some members
of the collectivity feel the necessity for such a close relationship
with their chairman. The way in which their objective status is
reconciled with these close relationships has been touched on in
considering the data, but should perhaps be explicated. The impression
gained is that all non-executive directors interviewed do insist that
their attitude to company affairs is an objective one. The fact that

they have closer relationships with their chairman than with other board members is never regarded by the non-executive directors themselves as being detrimental to their objectivity. It is in fact explained in the interviews that it is precisely the closeness of such relationships which enable the non-executive directors in question to express their objective viewpoints in a constructive manner. The non-executive directors consider that by having a relationship with the chairman composed of mutual trust and perhaps empathy, they have created a vehicle by which their objective viewpoints can be expressed and perhaps acted upon. It is always emphasised that the nature of the relationship they form is such that plain speaking is in order. Since the chairman trusts the non-executive director, the non-executive director may disagree with the chairman without fear of reprisals and with hopes of being attended to, as long as disagreements are expressed in a suitable manner. That is to say, the competent non-executive director should not undermine his chairman's position with policy disagreements in the boardroom. Any differences of opinion should be amicably discussed in private consultations.

The feeling seems to be, that there is no use in being an objective voice in the boardroom if no one is going to listen. By gaining the trust of the chairman, and by creating the kind of relationship with the chairman where the non-executive director can act in an advisory capacity outside the boardroom and can be trusted to perform competently as an adviser, the chairman will benefit in that he has someone objective to talk to, his position will become less isolated, and he will be able to clarify his thinking on company affairs, and the non-executive director will benefit in that his viewpoint will not be rejected, he will be listened to, and he has greater likelihood of being

influential on policy matters. He will be able to express any dissent

in such a way that it is perceived as a constructive contribution to

policy rather than as some kind of attempt to undermine existing

policies and roles.

Thus it becomes possible to reconcile even very close and friendly

relations between non-executive directors and chairmen with the general-

ised concept of the non-executive director as a figure of objectivity

and integrity who should fearlessly act in the company's best interests,

as he perceives them, whatever the existing policies and relationships

in the boardroom may be. The non-executive director, by allying himself

closely to the chairman, is disassociating himself from the executive

directors, depicted as scrambling to vote at the whim of the chairman

(and in many instances discussed this is understandable since the

chairmen are also chief executives). The sheer fact of the non-execut-

ive director's objective status is seen as being tremendously helpful

to the chairman in thinking clearly about company affairs.

However, as a kind of coda to this explanation, one non-executive

director makes the following statement which is of considerable interest:

> 'I spend some time with one or two chairmen of companies
> where I am not a director. I get to know the company as
> a kind of consultant or guru, so they can have someone
> to talk to when their thinking is still very woolly. It
> is easier for them to go right outside than to insider
> or outsider directors. There seems to be a sense of loss
> of machismo, almost, at showing doubts with their colleagues.
> I don't accept directorships in these cases, it is diff-
> icult to carry on my role if I become involved with the
> company. If the other board members knew that I had
> private conversations with the chief executive they wouldn't
> know whether I represented the chief executive's or my own
> thinking. It would inhibit me, either with the chief
> executive, or on the board. So there may be limits to
> what the board can do. Other mechanisms are also important.'

There is the suggestion, then, that whatever relationships exist within

the boardroom, there are some kinds of problem that the chief executive/
chairman can only deal with fruitfully withthe help of a complete out-
sider. The degree of involvement of an outside director is in some
way too close. However objective his viewpoint, the mere fact of his
being a director disables him, since it is suggested that chief
executives experience 'loss of face' at revealing any doubts and
uncertainties to fellow directors. Also of interest is the perception
of the possible dilemmas involved in holding a directorship while
being known to be a confidante of the chairman. (It is obvious that
here the non-executive director is dealing with composite chief
executive/chairmen). There is evidence in other interviews that the
perceived difficulties and conflicts of interest are in fact very real,
and one can understand this non-executive director not wishing to
express himself to them. Instances of such conflicts of interest or
differences of perception have been discussed in the various different
sections of this chapter and the difficulties caused to various non-
executive directors have been discussed. One statement made by a non-
executive director interviewed does pinpoint rather precisely the kind
of conflict of interest which might occur around the appointment of a
non-executive director:

> 'A good friend of mine went to work for Co. X as finance
> director. He got involved in a major squabble on policy.
> He asked me if I would sit on the company's board. I
> met the chairman, and he also asked me, formally, if I
> would sit on the board. So two people were making the
> request, for two different reasons - the finance director
> wanted an ally in the boardroom, the chairman wanted a
> neutral outsider. I refused, because the situation was
> so difficult. There are limits to the political influence
> of the non-executive director, and you can't play both
> sides against the middle.'

So again we have echoed the suggestion that there is a limit to what
the non-executive director can do. However politically influential a
non-executive director may be, this influence will have limits. There
are some situations in which a director of any kind can do little, and

a non-executive director whose appointment is based on conflicting

expectations will be in a peculiarly awkward position. As has been

suggested, perhaps in some circumstances mechanisms outside the board

and indeed the company, may be of greater importance than the efforts

of any of the directors.

To return to the main drift of the subject matter under discussion,

relationships between non-executive directors and chairmen and/or chief

executives, there is also interview data to suggest that some non-

executive directors do not really perceive such relationships as being

of great importance. At any rate the kind of relationship envisaged

does not at all correspond to the 'brotherly love' approach described

earlier. These non-executive directors appear to have a far more power-

based model of the manner in which boards operate. For this reason,

their attitudes to their chairmen and chief executives will be touched

on only briefly, since the next chapter is intended to deal in detail

with issues relating to power and influence in the boardroom.

This type of approach to relations with chairmen and chief executives

is perhaps exemplified, in a way, by the remark made in one interview,

that:

> 'Theoretically, directors can change their chairman,
> because he is an elected officer. It is more important
> whether the chief executive is any good or not.'

It appears that some non-executive directors regard their chairmen and

chief executives with a critical eye, with intent to 'do something

about them' if they are perceived as being insufficiently competent.

Aside from that, relationships with them are not seen as having any

great importance.

Where non-executive directors are seen to be supporting their chairman

and deputy chairman, as is described in the case of one company, this is:

> '...on the argument that they are, I suppose, competent
> and to be trusted. If they proved not to be competent
> and not to be trusted, then you'd expect the other non-
> executive directors not to support them.'

In fact, what we appear to have is the reverse of the type of relation-ship described earlier. While some non-executive directors feel it important to be perceived by their chairman as competent and to be trusted, other non-executive directors feel it important rather to perceive the chairman as competent and to be trusted. The way in which they are themselves perceived is not remarked on, suggesting perhaps that they regard their own competence and trustworthiness as beyond question, or perhaps that they do not consider that the way others perceive them is a matter of any importance. It will be readily observed that this is not an attitude to boardroom practices that takes personal relationships into particular account. The issues are felt to be far more to do with obtaining and exercising power, and can there-fore be more suitably dealt with in the next chapter.

Summary Of Issues Examined In This Chapter.

What has been attempted here is an examination and analysis of the empirical data with a view to gaining some ideas about the way in which non-executive directors themselves perceive the creation and mainten-ance of relationships with their fellow directors. Several issues emerge as being perceived by the non-executive directors as in some way problematic or a source of difficulty.

1.   The non-executive director very often perceives himself as having a marginal or ambiguous status. The role of non-executive director is not legally defined as differing from the role of any director. As an

outsider the non-executive director may find he has a rather curious relationship to the organisational hierarchy. He will often find that the nature of his role remains reasonably lacking in definition, even informal definition within the boardroom. Where a non-executive director is the only outsider on a board, the problems of marginality and role ambiguity are likely to be exacerbated. The non-executive director may have to solve for himself the problem of what his role should be and how he should perform it, and the expectations of his fellow directors are likely to be relevant to this endeavour. The non-executive director may have feelings of isolation and exclusion. As an outsider, he may feel ill-informed on many policy issues. He may feel ill-informed on the issue of what he is there to achieve. His perception of his own marginality may lead him to experience a necessity to form 'better' relationships with all his colleagues than an executive director would need to form. He may feel, far more than an executive director would, a need to 'make a good impression', a need for his colleagues to perceive him as a competent performer in the boardroom. This leads on to:

2. The particular problems in forming alliances with his colleagues that may be experienced by the non-executive director. Where the non-executive director is on a board with other non-executive directors, it is often considered that the non-executive directors are each others' natural allies. As a generalisation, this may be so, but will probably be dependent on the basis on which the non-executive director was appointed. Non-executive directors whose appointments were secured by shareholding interests of whatever nature are likely to become the natural allies of other non-executive directors similarly appointed, but not of non-executive directors whose basis of appointment rests with a rival shareholding faction, since the conflicts of interest that

would arise might considerably damage a non-executive director's career. Also, there is a suggestion that some non-executive directors may feel their contribution to the efforts of the board should be made on a strictly individual basis and that alliances between non-executive directors are indicative of the individual weaknesses of these non-executive directors. It is the problem of each non-executive director individually to establish for himself what his attitudes are towards his non-executive colleagues, and what alliances, if any, it is proper and competent for him to form. The question of the non-executive director's relationships with his executive colleagues is in many ways more thorny, because he must carefully guage relationships in terms of 'closeness' and 'distance', to key executives, and he has to cope with the problem of maintaining an independent 'judgement' within a situation where his status invites dependency. It is necessary for the non-executive director to maintain 'good working relationships' with his executive colleagues, for a variety of reasons specified earlier, but it is considered undesirable for the non-executive director to become 'too friendly' with his executive colleagues. The relation should be a business one rather than a social or personal one.

3. This question of demarkation lines in relationships with colleagues is closely related to the concept of 'unwritten rules' of conduct under which boards operate. Perceptions mentioned above about the precise nature of relationships with colleagues are evidently the result of implicit 'rules of conduct' perceived by the non-executive director. Another area of difficulty appears to be the perception by some non-executive directors of the necessity of achieving a relationship of mutual trust and empathy with the company chairman, while still maintaining good relationships with other directors. If a non-executive director is perceived by his colleagues as being closely linked to the

chairman, he may face formidable difficulties in achieving relationships of mutual trust with other colleagues. He may find he is regarded as a cipher or puppet of the chairman, or he may be accused of over-influencing his chairman. A fairly precise balancing act will be required if the non-executive director is to be perceived as a competent role occupant by all his colleagues. It may be extremely problematic for him to persuade all directors that he is 'obeying the rules' in that he is preserving his independent status.

Another such 'rule' is the one which requires non-executive directors not to appear 'abrasive'. It seems from analysis of the data that the rule against abrasiveness applies within the context of the actual board meeting, but that the non-executive director may be permitted a modicum of abrasiveness when in private consultation with his chairman, providing that his relationship with the chairman is such as to sanction a certain amount of 'plain speaking'. Another balancing act seems to be called for.

It is certainly possible to regard the board meeting itself as a 'rule-bound' activity. Business accumulated over a month (or whatever the time period may be) is dealt with in a few hours under fairly rigid procedural constraints. To be perceived as competent the non-executive director must understand the procedural 'rules' and be aware of the ways in which colleagues, and perhaps he himself, can 'break the rules' unobtrusively.

4. Finally, there is the issue of impression management. As has been discussed at some length in the first section of this chapter, the non-executive director must be seen as 'fitting in' with the prevailing cultural norms of the board before his colleagues are likely to even

begin to regard him as a competent member of that board. However, at
the same time there is considerable stress on the notion of the non-
executive director as an objective individual, bringing new insights
into the boardroom.

AN EXPLORATION OF SOME OF THE FEATURES RELATING TO THE EXERCISE OF

POWER AND INFLUENCE IN BUSINESS ORGANISATIONS, ESPECIALLY WHERE THAT

POWER AND INFLUENCE IS EXERCISED BY NON-EXECUTIVE DIRECTORS, WHO ARE

FREQUENTLY PERCEIVED AS SOMEWHAT MARGINAL

Sociological Definitions of Power and Influence

There has been much attention given to the study of power in organis-
ations. Many different definitions of the concept of power have been
attempted and many different approaches have been made to this problem.
The confusion surrounding the definition and use of such terms as
'power' and 'influence' is well known, as is the body of literature
dealing with power and its related issues. This work has been reviewed
and discussed many times, and it does not appear necessary for the
purposes of this research to indulge in yet another exhaustive critique,
since we are primarily interested in the non-executive directors' own
definitions of power and influence.

The works of, among others, Weber (1946), Parsons (1951, 1964),
Dahrendorf (1959), Blau (1964), Hickson, Hinings, Lee, Schneck and
Pennings (1971), Gamson (1972), Homas (1961), Clegg (1975) and
Shibutani (1961) provide a galaxy of definitions and redefinitions of
such terms as 'power', 'authority', 'control', and 'influence', from
which the reader may choose.

Shibutani makes one point, in particular, which has relevance within
the context of this research. This is that different individuals have
different approaches to power relationships. Some individuals will

attempt to treat all relationships in this light, while others are
relatively unconcerned with power and the related issues.

> 'There are some people who have unusually well-developed
> patterns of domination and deference who attempt to
> transform all contacts into power relationships. They
> are apparently incapable of relating themselves to others
> except in terms of superiority or inferiority and are
> constantly preoccupied with the question of relative rank.
> Upon being introduced to someone, their first concern is
> with ascertaining who is better than whom.' (p357)

It is suggested that several studies have shown that such personality

traits are not infrequent. Such people tend to evaluate leaders more

positively, and to prefer authoritarian to democratic control. They

believe that it is the nature of man to be aggressive and self-seeking,

and they tend to regard all other people as being like themselves.

They perceive themselves as 'realists', and perceive those unconcerned

with power as 'weak' or 'naive'. They fear and respect others who have

a similar orientation to power, and are contemptuous of those who do not.

This might go some way to explain the divergencies of opinion found in

the data (discussed below) as to whether the individual non-executive

director is more or less influential and/or powerful. The marked tend-

ency of some interviewees to put forward power-based models of the ways

in which boards work, and the insistence that failure to accept such a

view is simply ducking the realities of the situation, could be explained

by attributing to these non-executive directors the personality charact-

istics described above. On the other hand, those non-executive directors

who are not even sure whether they should be classified as influential

could be said to represent a personality type 'unconcerned' with power.

Members Perceptions of Power and Influence

Let us consider the ways in which the non-executive directors themselves

define and perceive power and influence as 'men of action'. Naturally

enough, it is rare for the researcher to be offered a formal definition of these terms by the non-executive directors interviewed. They would perceive such definitions to be self-evident and any explanation of their use of such terms as unnecessary. We do have one instance where a non-executive director interviewed discusses this use of terminology. He explains the concepts of 'power' and 'influence' as follows:

> 'You can have influence without power, because I suppose
> in the end, power is the ability to force things to happen,
> to dictate that this will be done, whereas influence is
> only the ability to influence the minds of people with
> power, so I would have thought it was different. Power
> is power, and the ability to force things to be done.
> Influence is the ability to influence decisions being
> taken so influence has to be applied on people with power
> to make it prevail.'

This 'common-sense' definition does in fact approximate quite closely, in general terms, to some of the definitions attempted by social scientists. Power is the ability to cause others to take a given course of action even if they do not wish to do so. It is the ability to dictate events by dictating to the relevant individuals. Power is 'force': it does not subsume an element of choice for those over whom power is being exerted. Influence is a more subtle quality. The non-executive director perhaps struggles to produce an acceptable definition. It is not a force, it is a persuasive ability. It must be applied to those in a position to exercise power, in order that the power is deployed in a manner satisfactory to the influencer. A person might be both powerful and influential, or have influence but not power, or power but not influence.

From examination of the interview data, it can be seen that non-executive directors generally perceive themselves as being influential rather than powerful (although this is not invariably the case). There is certainly a distinction perceived by members between power and influence. It would perhaps be fair to say that there is a spectrum of opinion regard-

ing whether the non-executive director is, or should be merely influent-

ial and without power or whether he should be regarded as powerful

together with being influential. It would probably also be fair to say

that the majority of non-executive directors interviewed tended to reg-

ard the role of the non-executive director as an influential rather than

a powerful role. It was considered that the non-executive director

should suggest rather than command. The role is depicted as more pass-

ive than active. As has already been discussed, it is considered by

many non-executive directors that a useful role can be played by acting

as 'a sounding board for ideas'.

While a non-executive director might describe his role as 'powerless',

he does not regard it as uninfluential. Power and influence are by no

means perceived as the same phenomenon, or even as going hand-in-hand.

He states:

> '...my influence has increased with my knowledge, but not
> my power.'

Another non-executive director describes his role as follows:

> 'I think the behaviourists would call it process consulting,
> almost, at board level, facilitating the process as best
> you can by, without knowing the situation in depth, asking
> simple questions which so many people getting close to the
> job forget - they usually have complicated questions.'

Here we have a very clearly thought out description of the proper funct-

ion of the non-executive director, actually expressed in terms of social

science theories of organisation. The role of the non-executive director

is seen as essentially advisory, concerned with assisting the decision-

making process, as it were oiling the wheels of the machinery, without

attempting any assertion of power over that process. The non-executive

director may influence the process by his asking of simple questions, a

function frequently mentioned as an important part of the role of the

non-executive director. However, the role is basically that of a

listener, adviser, or 'sounding board'. Suggestions may be tentatively put forward, but the non-executive director would never attempt to dictate policy. It is not a role where a didactic or powerful approach is perceived as being either wanted or needed. The non-executive director emphasises the importance of 'feeding his opinions into the system' in such a way as not to antagonise his colleagues. He suggests that influence is a function of behavioural skills, and consists in the ability to put forward opinions and suggestions in such a way as to enable them to be used, and without causing his colleagues to feel that he has 'overstepped the mark'.

The 'right way' to put things appears to this non-executive director to consist in presenting an unthreatening appearance to his colleagues. It is necessary not to dictate to them, to contradict them, or to point out that they have ignored his correct advice on previous occasions. He feels in fact that his role mainly consists of ensuring that the decisions his board makes are 'correct'. His function is to 'facilitate the process', i.e. to provide an opportunity for the board to think through their judgements and opinions, and possibly to re-evaluate them in line with his asking of 'simple questions'.

> 'I try to put myself in their shoes, look at it from their
> point of view, and say what I think with my orientation.
> The guy who comes in and says: "when I was in the Civil
> Service in Malaya we used to use bribery, let's try it
> here" - I don't see that as my role at all.'

It is worthwhile commenting at this point that all remarks quoted relate to the non-executive director's perceived role with one particular company. The majority of non-executive directors interviewed were members of several different boards, and while they tended in the main to discuss the appointment they felt to be most worthy of notice, because of the size of the particular company, the extent of their involvement with

the company, and so on, they are describing what might be expressed as one view of the role and of the power/influence relationships within that role. Different attitudes to the role may be expressed when other appointments are considered. For instance:

> 'The little companies break down into two sorts. It is either a question of using me as a sounding board, not to initiate policy, but to react to policy suggestions, or else I am involved in setting up the company in the first place but do not want full-time commitment. In the latter case my function is more that of a part-time executive director, in a case where spending a limited amount of time gives me enough knowledge.'

This kind of distinction is frequently expressed or implied. Where the non-executive director's position as a director is accounted for because the company is in some sense a venture or a responsibility of his own, there is something of a difference in attitude. The non-executive director may have been instrumental in setting up the company, or he may represent major shareholding interests, perhaps his own. In such cases there is a shift from the perception of the role as relatively passive, expressed as adviser, listener, process consultant, to a more active role, in fact an executive role but with time constraints. In such cases the non-executive director perceives a right and responsibility to take a far more positive approach to the decision-making process, and in fact to regard his role as having become a powerful or didactic role rather than an influential or advisory role. Where a non-executive director is representing his own monetary interest in a company, or backing his own business judgement in having established a company, this change of viewpoint is only to be expected. Where a non-executive director has no personal interest in a company apart from his seat on the board, and director's fees, his role is 'purely' that of outsider and his perceptions of the requirements of his role are appropriately modified. Where the non-executive director does have a personal interest in a company, he tends to regard his role as being something rather different to that of the outsider. The tendency is for the non-executive

director to assess the role as that of part-time insider, and then to reject or limit discussion of this aspect of role performance as not germane to the issue of the role of the 'genuine' non-executive director. This point is made succinctly in one interview:

> 'You cannot define non-executive director status in terms of time. It is a question of responsibility for executive decisions. If you're in an executive function, then you're not a non-executive director. You could be an executive on one day a week. The non-executive director's role is supervisory, monitoring, while the executive is a "doing" role.'

There is the point that in cases where a non-executive director has a personal involvement with a company, of whatever nature, be it shareholding, knowledge of the company acquired by setting it up, or any similar type of involvement, this non-executive director will be in a position to exercise greater power over the company's affairs. Shareholding, for instance, is a very concrete power source in relation to companies. The relative lack of interest displayed by members in discussion of their activities within companies where they have this type of involvement is indicative of the way in which members themselves define the role of non-executive director. If the non-executive director is in fact performing a part-time executive function, he tends to feel that he is not 'really' a non-executive director. He is an executive masquerading as a non-executive director, and regards this as not being an activity which will be of interest to the researcher, who, after all, is interested in 'proper' non-executive directors, rather than 'pretend' ones.

Where the role is defined as relatively passive, with the use of such descriptive terms as 'adviser', 'listener', 'process consultant', 'sounding board', this might well be, and undoubtedly often is, a rationalisation of that actor's awareness of a lack of power in that particular situation, relative to other board members. This kind of

definition of the role is often presented as a prescription for correct role performance by all non-executive directors. It can be suggested that the role of the non-executive director may often be a role of low power, in cases where no additional factors are involved, due to shortage of information, inadequate procedures, etc. and that therefore such prescriptions provide a sensible and useful approach to dealing with the role. If such rationalisations were not utilised by non-executive directors in positions of low power, their actual role performance might be hampered by increasing frustration over the difficulties and setbacks.

It does in fact appear from the interview data that the majority of members perceive their activities as influential rather than powerful. The kind of reality they construct for themselves is composed of influential rather than powerful figures, and a member who is perceived as competent by himself and by others would see himself as a man with influence rather than a man with power (although there are exceptions). There seems to be considerable diffidence on the part of most non-executive directors to see themselves operating on a power-based model, and they are unenthusiastic about the idea that others may operate on such a model. One non-executive director, when asked about distribution of power in his boardroom, remarked:

'I use "power" in quotation marks, it's not a word I like.'

When asked what the correct method of expression would be, he responded:

'Probably "influence" is a better word, in the sense of influencing the way discussion goes, and influencing decision-taking.'

Where the non-executive director perceives a colleague as 'powerful', this perception tends to acquire a prejorative significance. In some sense the possession and use of power is automatically 'bad' and will

automatically operate to the detriment of the company.

> 'I've only once come across this "power", when the chairman
> was of the Slater type...where again he had all the power...
> and that, I think, is a very undesirable situation.'

Men actually perceived as powerful are perceived as using that power

to bend company policy to their own ends. They are 'very dominating

personalities', 'the entrepreneur, Slater type of man'. They are

unlikely to be interested in the opinions of others and not prone to

influence exerted by the non-executive directors, which may be one

reason why they are perceived as an undesirable phenomenon by the non-

executive directors.

> 'At its worst, the executives are actually frightened of
> the chairman.'

The villainous entrepreneur chairman will subdue the executives, by the

control he has over their progress and/or continuation as directors, and

as the heads of functional departments within the organisation. The

executive directors are also salaried employees, and have the security

of their job to concern them as well as the security of their director-

ship. The non-executive directors, immune from such pressures, are

likely to simply be ignored. They may offer advice, opinions, polite

suggestions, a helpful and sympathetic ear, but these are not required.

The non-executive director is no longer able to put forward his

cherished claim to being a man of influence.

> 'In other words, if there is real power in the sense of
> bending people and pushing a company in the wrong direction
> for the wrong reasons, then I think this is very undesirable,
> and will usually, to use Heath's phrase, end up with the
> undesirable face of capitalism coming out.'

Real power is perceived as inevitably a matter of ' bending, pushing,

distorting the course of events and the behaviour of individuals to

fulfill some private agenda of the man with the power. (The private

agenda is usually related to getting rich). Real power, in fact, is

the undesirable face of capitalism.

Not all the non-executive directors interviewed took this attitude, although it is of interest to note that the majority were inclined to do so. One non-executive director remarked that:

> '...the effects of power are that if exercised by competent people who make the right decisions, they influence the company for good.'

It is emphasised that there is no necessity for competence to accompany power, but where it does, this will be good rather than bad for the company (i.e. will tend to make the company more profitable and secure in the long-term). However, generally speaking, the straightforward exercise of power is something the non-executive director tends to find disturbing and unpleasant. Most non-executive directors regard their boardrooms as operating by means of the exercise of influence rather than power and do not like to see deviations from this interpretation of the state of affairs. This may possibly be a function of the relatively small amount of power which non-executive directors are in a position to exercise. The non-executive director, as has previously been remarked, is in a somewhat equivocal position both in relation to the organisational hierarchy and to his fellow directors, in many cases. An influence-based model of the way in which decisions are reached and directors interact may be a useful rationalising process to enable the non-executive director to continue to perform his role without being subjected to the frustrations inherent in perceiving himself as being controlled by more powerful others.

However, this influence-based, relatively passive model of the way in which the role of the non-executive director should be performed, does appear to have achieved the status of a legitimate prescription for

correct and competent role performance, in the eyes of many members,

and also commentators. Non-executive directors may regard themselves

as extremely influential, as has been stated, but tend not to regard

themselves as powerful. A non-executive director may feel he has an

enormous effect on the direction of company policy, but will express

the nature of this effect as being due to his influence, not to his

personal power in the situation. The non-executive director as a man

of influence but not power appears to be a concept which many non-

executive directors have internalised and will adhere to, even when it

perhaps fails to express with any precision the real nature of the role

they play. For instance, in one interview, when a non-executive

director was asked whether he would regard his function as being more

that of an adviser than that of a policy-maker, he responded:

> 'No, that wouldn't be fair. It is an adviser to the rest
> of the board and an active policy-maker with the chairman.
> This is what I meant about deals within deals, where
> meetings and decisions take place outside the boardroom.'

This non-executive director, whether or not he himself would have such

a perception of his position, obviously has considerable personal power

on this board. He actually states that company policy is initiated by

himself and the chairman, and one feels it would be only fair to

suggest that this is a powerful position to occupy, with reference to

decisions reached by the board. He suggests that many decisions are

in fact reached outside the boardroom, and the board, when it meets,

frequently operates as a 'rubber stamp', ratifying decisions made

earlier. He says that:

> '...the board meetings themselves are fairly boring unless
> there is some particularly contentious issue.'

This non-executive director concedes that he is:

> '...the most influential person in the boardroom apart
> from the chief executive' (who is also the chairman)

However, when the researcher asked how he would define the job of a part-time director, he simply repeated prescriptive statements defining the role as relatively passive, advisory and persuasive.

> 'A sounding board, almost entirely a sounding board...
> really your job is persuasive. A sounding board is
> probably the best thing. You have the ability to stand
> back and say, this sounds superficially stupid, tell me
> why I am wrong. That's what you're really supposed to
> do and that's what I am doing...'

From remarks quoted above, if this non-executive director does act as a sounding board, he also acts as a very powerful factor in the decision-making process. Thus, this definition of his role has to be at best a very partial explanation. Again we have the emphasis on asking simple or naive questions in order that the board may think through their ideas. Again it is stated that the role is persuasive rather than didactic and that the outside director's primary function is to act as a sounding board, to respond to policy suggestions rather than to initiate them. However, the whole tenor of this interview suggests that this non-executive director performs a far more influential (or perhaps powerful) role than this would suggest. He is 'an active policy-maker with the chairman' rather than a passive responder to policy ideas. To take a specific instance, during a discussion of the procedures surrounding an acquisition, he remarks that:

> '...the idea will almost certainly come from the chairman
> or me - it could be any of the other board members, but
> that's historically how it's happened...'

This non-executive director evidently initiates policy, possibly instead of, and certainly as well as, responding to policy suggestions. This non-executive director, judging from the ways in which he discusses his role, has a good deal of impact on his organisation. It is therefore significant that he still feels commitment to the passive aspect of his role, and that when specifically asked to define the role he plays, he reverts to saying that he acts as a sounding board. This suggests that

the non-executive director has accepted this kind of prescription for 'correct' role performance and although the role he actually plays is considerably more dominating, he uses the prescription to define and justify his activity. It is noticable that although he concedes that he is extremely 'influential', he never attempts to translate his interactions with his fellow directors, his influence on the decision-making process and on the evolution of policy into power-based terms. Although on the basis of his description of his activities, an objective assessment might conclude that he wields considerable power in the organisation, since being an initiator of policy that will effect the entire organisation could be said to be an activity carrying a certain amount of power, he prefers to describe himself, and presumably think of himself, as very influential.

An alternative explanation is that the non-executive director has exaggerated the extent of his influence to impress the researcher, and his description of his role as that of a sounding board is in fact correct. However, similar kinds of contradictory statements appear in other interviews, and this perhaps represents some kind of mid-point in the spectrum of opinion regarding the non-executive director's power and/or influence. For instance:

> 'One of the functions he (the non-executive director) can
> have in terms of influencing, I'm thinking here of board
> discussions and decisions, he can influence them by asking
> what appears to be very often an innocent question, bec-
> ause he's seeing things from a different point of view...'

So here we have once again the non-executive director listening to discussion of policy, and responding to policy suggestions by asking simple, or innocent, questions which provide his colleagues with food for thought. This is a frequently mentioned part of what might be described as the passive aspect of the role. However, in a somewhat different

tone it is stated:

> 'I think in most firms the non-executive director can, and
> in fact does, play a very useful part, because he's not
> dependent on anybody around the table. He can say what
> he wants, he's got the ultimate sanction of voting with
> his feet.'

This is a far more active description of the role, the non-executive

director as fearlessly independent, able to say as he pleases and like-

ly to walk out if not properly attended to. In fact, this interviewee,

as with the interview discussed above, produces a variety of contradic-

tory statements regarding the amount of influence a non-executive

director should and does have. On the one hand, this non-executive

director displays considerable attachment to the 'passive' aspect of

the role.

> '...in terms of a positive contribution it depends very
> much, not only on the individual obviously it varies
> widely there, but the extent to which either you're gen-
> erally encouraged to take part in the discussions or you're
> specifically asked to make a contribution or put a question...'

This is, again, generalisation along the lines noted in previous inter-

views. The non-executive director is dependent on the rest of the

board (particularly the executive members) for the kind of contribution

he is able to make. He must be encouraged or asked before he can act,

and the kind of action he takes will be to ask 'simple' questions, res-

pond to policy suggestions, and so forth.

On the other hand, it appears that, although generalisations like this

are offered, there are other aspects to role performance, which are more

than somewhat contradictory. He remarks:

> '...you don't have to agree with your fellow directors,
> you can oppose them...'

If a non-executive director is in serious disagreement with his chairman's

policy, it is permissable for him to take a very active part in prevent-

ing it from being implemented. It would seem that under such circumsta-

nces, the non-executive director ceases to play a passive role and
devote all his energies to vigorous opposition of the policy in quest-
ion, up to and including exposing such policy in the press and stating
his disagreement, which in this non-executive director's mind would
appear to necessitate his resignation into the bargain. There is always
the possibility of having recourse to what this non-executive director
regards as the final sanction available to the non-executive director,
that of 'voting with his feet', hardly compatible with the generalisat-
ions on the more passive aspects of role performance. Also, later in
the interview, he states:

> 'This is the great strength of the non-executive director,
> a) the fee is usually not of itself very significant and
> b) if you take it at the top rate of tax in the sense that
> it's additional income, then in cash terms per board meet-
> ing the amount of money you would lose as income by ceasing
> to be a member of the board is not in the slightest bit a
> significant factor in deciding whether or not you shall
> have a head-on collision with the chairman, with the manag-
> ing director, with any member or the whole board...'

These are fighting words, and hardly applicable to the role of the non-
executive director as a purely passive and advisory one. Although this
non-executive director produces all the standard generalisations about
the passive nature of the role, he also makes remarks which indicate
that he himself does not behave in precisely this passive manner. It
could be said, again, that he has perhaps internalised prescriptions
for passive role performance which he repeats to the researcher, altho-
ugh such prescriptions will be somewhat at odds with the role he actua-
lly plays. When the researcher suggested that in fact he occupied a
highly influential position on the board of his company, he replied:

> 'Well, if it came to a vote, I've only got one vote...No,
> the influence you could bring to bear, hopefully, is clar-
> ification, common-sense suggesting that if you do this
> policy it will have this impact or that impact, but it
> would be very difficult to change people's opinions, I
> think, what they can have, for what it's worth, is the
> benefit of an unbiased opinion, that party A in their policy
> is right, or party B is right, and I suppose if they were

locked in a voting situation, that is, one in which the
numbers numerically were right, I suppose you've got a
casting vote situation, if they're three against three and
rigid in their outlook, then you could cast your vote one
way or the other.'

This statement contains a mixture of different attitudes to the role.

Beginning by refuting the accusation of being highly influential by

pointing out that he has, when all is said and done, only one vote, a

thing that could after all be said of any director and would seem to

have little bearing on the matter, he goes on to re-introduce the pres-

criptions for passive role performance. He suggests that such influe-

nce as he might have is related to enabling the board to clarify its

ideas and the making of 'common-sense' suggestions. He feels that he

is unlikely to alter anyone's opinion, but (unlike at least one other

non-executive director interviewed) is prepared to tell his colleagues

which, of two opposing policies, he believes to be the correct one,

and there is the implication that his colleagues are likely to pay att-

ention to his opinion, because what he is offering them is an unbiased

viewpoint. He will be able to tell them honestly what he believes to

be in the company's best interest, since he has no personal involvement

with the company apart from his outside directorship. In fact he seems

to feel that his role is, to some extent, that of arbitrator between

rival factions in the boardroom, hence the suggestion from the resear-

cher that his position is very influential. Then, finally, there is

what perhaps amounts to an admission of the extent to which he is influ-

ential, in that he forsees the possibility of having to determine issues

with a casting vote, if the two factions have reached deadlock over some

policy issue. It is a masterly confusion of the passive and active roles

that a non-executive director might play, and as was suggested previou-

sly, might indicate that although the non-executive director has read

prescriptions for passive role performance and to some extent subscribes

to them, they do not consitute a satisfactory explanation of the role

actually played. It is interesting in this case to note the reluctance

to even admit to being an influential member of the board.

A small number of non-executive directors interviewed had adopted a

strictly power-based model of the ways in which a board works and the

kind of role they should perform. This is somewhat unusual, as will

be apparent from other interview data quotes, and can be accounted for

by the fact that these non-executive directors were actually in posit-

ions of fairly high power with one or more of the companies for which

they worked, e.g. non-executive chairman of one company, or holding

special powers of veto as part of an agreement between a company and a

merchant bank, or managing director of one company while acting as non-

executive director for another.

The following is an example of this power-based attitude:

> '...where the executive directors are weak and ineffective
> turning in a profit performance, you will find that the
> chairman and/or a group of non-executive directors will
> get together a cabal who will get the managing director
> and possibly some other directors out, get them sacked,
> and one of their most important functions on the board is
> to see that the executives are removed when they're in-
> efficient...So that, you could say, is one of their most
> important functions, which is to monitor the performance
> of the executive and throw them out, or change them, or
> recruit others.'

This is not at all the way most non-executive directors interviewed

would view their role and responsibilities. It is argued here that

this kind of monitoring role is inherent in protecting the shareholders'

interests, since the shareholders cannot really judge the competence of

directors, have no means of 'getting out' directors except by voting

for their dismissal at the A.G.M. and are unlikely to do so anyway.

The non-executive directors are more in touch with the company, and

better judges of competence. This concept of the role of the non-executive director would, of course, depend on there being a large number of non-executive directors on the board, in positions of high power (or influence) probably with a non-executive chairman. In companies where such conditions prevail, perhaps such a view of the role is not so extraordinary. From another interview:

> 'In the case of Co. R. the non-executive directors run the executive directors, appoint, hire and fire. The one job you can say that the non-executive directors should do is to hire and fire the chief executive. If they do that, and do it well, and frequently, they establish a special sort of power...'

It is hardly surprising that they do establish a special sort of power. This situation of the non-executive directors being in a position to 'run' the executives is relatively rare in British companies (although more usual in American industry). It is explained that:

> 'In the case of Co. R. we appeared in the first instance as executive directors to run the company, so we graduated from executive, at Co. R., responsible for the operations of the company, to being non-executive responsible for supervising the people who followed as the executive directors, so that it varies.'

So it is pointed out that the circumstances here are perhaps a little unusual, and the method of appointment would appear to convey more power to the non-executive directors than is generally the case. It is implied that the non-executive directors are appointed precisely to supervise the efforts of the executives, and, as has been remarked, this is not usual in British companies. Continuing:

> '...in Co. R. the non-executives have appointed all the executive directors of the companies to their present jobs, and have in practice fired the chief executive if he hasn't performed satisfactorily.'

In this instance, therefore, we are looking at a company with a somewhat atypical board structure and recruitment policy. However, given such a structure and policy the non-executive directors become people

of high power, and in fact exercise the power they hold. This being the case, a deviation from the perception of the role of non-executive director as influential rather then powerful (and possibly not even influential in many cases) is not at all surprising.

However, it would seem that those people in positions of high power do impose a power-based, or perhaps conflict-based, model of the way boards work on the circumstances in which they find themselves. Consider this extract from another interview:

> 'My experience is that non-executive directors as a body usually have a view of long-term policy which they try and impress, as a body, on the executive, and the fight between the executive and non-executives as to who is going to get the policy instituted. In other cases, if you have a strong executive, they have their own views about long-term policy, and they tend to disregard as less relevant the views on non-executive directors who they comment rather acidly don't understand the business, don't work in it on a daily basis, so how should they know? I'm not trying to pose the whole relationship as one of conflict but there must be different views, and I believe it's healthy to have different views inside a board, so that the cut and thrust between non-executive and executive, between long-term policy and short-term expediency, a united policy will emerge.'

From this interviewee's point of view, the entire question of interaction between directors on a board appears to be perceived in terms of conflict. The non-executive directors, because of their supposedly greater concern with long-term policy and their lesser opportunities to obtain detailed knowledge about the day-to-day aspects of running a business, will be the natural antagonists of the executives with their different viewpoint on company affairs. This conflict between executive and non-executive directors is perceived as being essentially healthy. The existance of differing viewpoints on policy and the preparedness of their protagonists to argue for them will mean that all policy suggestions must be thoroughly thought out and discussed. The feeling is that the end result should be efficient policy on which the entire board is agreed. Policies are not just 'steamrollered through' by either faction.

The non-executive directors can prevent damaging decisions being taken
and inspire competent decisions. All this is achieved precisely because
inside and outside directors naturally come, as two groups, into con-
flict. As remarked regarding other interviews, this could only be the
case in such companies as have a reasonable proportion of non-executive
to executive directors, and where the non-executive directors are suffic-
iently influential to make their views known. Continuing:

> 'A company is always in a competitive situation. It isn't
> like a Civil Service department, it is entirely different,
> it is comprised of people who are interested in getting
> things done rather than writing books on philosophy. It
> includes a number of people who are highly aggressive...'

So in fact the suggestion is that, to achieve director status in the
current industrial environment, it is often necessary for the individual
to be 'aggressive'. This being so, if boards are seen to be composed of
more or less aggressive directors, it is only reasonable to assume that
a fair degree of conflict will ensue when decisions have to be taken.
Naturally this could be the attitude of a director who is himself very
aggressive and therefore tends to perceive his colleagues in this way.
Whatever the reasons for such a viewpoint, it could certainly be put
forward as an example of the 'power-based' end of the spectrum of atti-
tudes to the role of the non-executive director. The non-executive di-
rector does not suggest, advise, or act as a sounding board. Non-
executive directors collectively decide on policy and then argue
vehemently with their executive colleagues for implementation of such
policies. Directors, inside and outside, achieve their status, at least
partially, because of their ambition, aggression and qualities of leader-
ship. Activities within the boardroom take on the characteristics of a
kind of civilised battlefield, in part, and decisions are reached by means
of (healthy) conflict of opinions.

From the material discussed, it becomes obvious that there is, in fact,

a kind of spectrum of opinion, among non-executive directors inter-
viewed as to whether the non-executive director should have either, or
both, power and influence. Opinions range from the feelings that the
non-executive director should act only as an adviser or sounding board
to the feeling that the work of the non-executive director is to mon-
itor the performance of the executives and 'get rid of them' if this is
unsatisfactory. The former type of viewpoint would, naturally enough,
be more likely to be encountered in those companies where the non-
executive directors are in a minority and in positions of actual low
power, and the latter type of opinion in those companies (relatively
rare) where non-executive directors are at least present in equal numbers
to the executives, and are probably in a majority, and further, are for
whatever reasons equipped with greater power and enabled to wield it.

It would be safe to say that the most usual viewpoint is that the non-
executive director, while not being a powerful man in the sense of being
able to bend the decision-making process in the direction he wishes it
to go regardless of the views of his colleagues, is nevertheless, for
varied reasons, an influential man. The non-executive director would
expect his views to be taken into account. Those non-executive directors
who are humble enough to regard themselves as merely a sounding board are
in a minority, as are those who feel themselves powerful enough figures
to dismiss chief executives at will. The most usual view is that the
non-executive director, since he is respected for his wisdom and his ind-
ependence, will be influential and will be listened to, although it may
not necessarily be his function to actually institute policy. It is more
usual for the non-executive director to feel that his function consists
in preventing the implementation of incorrect policy, by means of diff-
ering types of intervention.

"Making a Mistake"

It appears that very few directors wish to run any risk of, individually, arriving at conclusions which, in the short term, constitute a 'mistake'. It is not acceptable for an individual director to be remembered or to be on record in some way, as having stated an opinion which proved to be incorrect in terms of the company's best interests. Non-executive directors, particularly, cannot afford to have a record of arriving at incorrect conclusions and advertising these. Since the position of the non-executive director in the boardroom is often more marginal than that of other directors, his continued existence in the boardroom is more likely to depend on his displaying continuing powers of correct judgement regarding company affairs, or in any event, not displaying bad judgement. (It is explained in one interview that 'good' judgement relates to decision-making which enhances or maintains the long-term continuity of the prosperity of the company.) It is pointed out that good judgement is generally based on wide experience as a director, and that non-executive directors should be appointed on 'their track record and proven effectiveness'. The non-executive director, even more than the executive director, 'stands on his record', and therefore does not want this to contain many errors of judgement. He would obviously have to be extremely confident that his view of any issue was bound to prove correct before he entered into open disagreement with his colleagues.

One feels that, in most cases, a non-executive director would be very ill-advised to embark on, for instance, insisting that his dissent be recorded in the minutes, unless he is more or less certain that he will subsequently be able to say 'I told you so!' Insistence on minuting opinions which turn out to be wrong in the light of events, or otherwise publicising such opinions, or even making it clear to his colleagues that he holds such

opinions, is likely to substantially reduce the credibility of the non-executive director, and his continuation in his role is often dependent on his maintaining his credibility, with his colleagues, the shareholders, and the world in general.

Some non-executive directors appear to feel that their position on the board is so marginal that, from a personal point of view, making it clear to their colleagues that they hold a certain differing opinion may have the status of being a 'mistake' even if the opinion is later proved to be right. Understandably enough, boards do not enjoy a part-time director saying 'I told you so', and where such a director feels particularly insecure he will not run such a risk. As explained by one non-executive director:

> 'I expect to be listened to, but I don't expect my advice to be followed, that's entirely up to them, and I would never look to see whether they followed my advice or not. I wouldn't go back next time and say, I told you that and you didn't do it.'

Where a non-executive director has actually, in the past, made a 'mistake', he is likely to attribute the blame for this to others rather than himself. For instance, one non-executive director was, at one time, the managing director of a manufacturing company. In this capacity he was responsible for accepting a large order for goods made to a degree of precision hitherto unattempted. The goods proved impossible to make, the cost to the company was ruinous, and the managing director found himself in search of alternative employment. The blame for this debacle, however, is now said to rest solely with the technical staff who believed that making the goods required would not be problematic. The ex-managing director cannot see how any of this could be said to be his fault, since, after all, he knew nothing at all about the technicalities involved.

This could, in fact, be an example of the Abilene Paradox (Harvey N.D.)

This deals with the making of collective, rather than individual, mistakes. The Paradox is defined as follows:

> 'Organisations frequently take actions in contradiction to the desires of any of their members and therefore defeat the very purposes the organisations are designed to achieve.'

The behavioural processes surrounding the Paradox can be summed up briefly. Organisation members suffer pain, frustration, irritation, anger, and feelings of impotence when attempting to cope with the problem. They are in agreement privately, as individuals, as to the nature of the problem. They are also in agreement privately, as individuals, as to the correct solution. However, in decision-making meetings, they fail to express their beliefs accurately, and may even mislead each other as to their beliefs, thereby causing one another to misinterpret the collective belief. Collective decisions are therefore reached which lead the members to take actions contrary to those they in fact wish to take, and results are therefore produced which are counterproductive to the organisation's aims. As a result of this, members become even more frustrated, irritable, angry, etc. The entire cycle will continue to repeat itself until either the problem is dealt with correctly or the organisation destroys itself.

The discussion of the dynamics underlying such paradoxical behaviour are of particular interest, since they could be said to have a bearing on situations such as a non-executive director might find himself in. The dynamics are summarised as:

1. Action anxiety. The individual organisation member knows what action should be taken to solve the problem, but is too anxious to take it.

2. Negative fantasies. These are at the root of action anxiety, and are the negative fantasies entertained with regard to taking what one

believes to be the correct course of action. The purpose of neg-
ative fantasies is to absolve the individual from responsibility in
his own eyes and in the eyes of others from having to take the real,
existential risks inherent in any course of action.

3.   Existential risks, i.e. whether or not the individual will end up
     in trouble for stating his real views.

4.   Fear of separation, ie.fear of such real existential risks as getting
     sacked.

5.   The psychological reversal of risk and certainty, i.e. we are afraid
     of being psychologically isolated from others whom we value, and we
     therefore hesitate to take the risk of confronting them with our
     view of reality for fear they will become angry and reject us. We
     therefore pursue a policy of nonconfrontation, which may well result
     in ineffective decision-making, which in turn may result in anger and
     rejection.

A non-executive director in a somewhat marginal position might be seen to
exhibit many of these behavioural dynamics. While the non-executive direct-
or might be, individually, convinced that a certain course of action is
called for, he may well, for any or all of such reasons, not wish to con-
front his colleagues with his view. The only point with which one might
take issue in the case of the non-executive director, is the last. A
policy of nonconfrontation seems, generally, more likely to result in
group acceptance of the non-executive director than in rejection. In some
instances any kind of confrontation might automatically result in reject-
ion. This would be dependent on the degree of marginality of the particular

non-executive director.

There are instances in the data of collective mistake-making, or 'inability to cope with, i.e. manage, agreement'. An example is the sad case of Co.B. described in interviews with two of its directors. From one interview:

> '...Co. B., when it was first set up, had a technological lead...In due course, and this company was very prosperous and made very substantial profits, based on this narrow product and narrow market, with its technological lead that company made very heavy profits and a very heavy return on the capital employed, and was very prosperous. The management of that business failed to grasp the changes in the environment in which it operated, and sat back with that single-product company while two competitors grew, and in due course those competitors grew to almost equal size, so that you finished up with three major producers supplying a market which is dominated by four buyers...and that's now a choked company, that really has no future at all, because it's caught in a competitive stranglehold...the only way out for it would have been to have developed other products ...management rejected that part because they were good technically...and they knew their customers, and they got on very well, overlooking the fact that each year their share of the market...declined as competitors came in, and now it's a business that really has no future apart from finding a diversification, and if, in the days of prosperity, it dissipated all its profits in dividends, then it may not have the resources to make acquisitions.'

From the description, one gains the impression that it is the short-sightedness of the management which is responsible for the company's predicament, and not a failure to manage agreement. It is simply a blinkered view of the commercial environment, a refusal to respond to change. However, the second interview expresses the situation somewhat differently, so the accusations of managerial incompetence might be perceived as another manifestation of the off-loading of 'fault' in any situation of difficulty.

The second interviewee, on the subject of this company, comments as follows:

> '...our own company is interesting merely because we've a long-term policy situation which has broad consensus, until it gets to the absolute crunch point which is, should we buy, or should we sell, which is critical to the company, and it's hard to get

agreement on that area, it has been hard...In this particular
company it's come up once every one or two years, because of
the nature of the business, but going back to the sixties
they were always arguing in the company about this and that,
shareholders weren't paid enough dividends, and so on...the
view that prevailed turned out to be 100% misguided, in the
light of present-day knowledge. They took the wrong decisions
every year, through the sixties, and one of the dilemmas now
is that having taken each of the wrong views, and having taken
the money out in dividends, they no longer have the resources
to implement the right view. Now there's a right policy but
they've spent the money.'

This sounds very much like the Abilene Paradox in operation. The company

is tumbling to eventual disaster due to consistent failure to 'manage

agreement'. The prevailing feelings seem to be of frustration, anger,

impotence, etc. It only remains to say that both the two directors inter-

viewed no longer work for Co. B.

Further to this concept of the collective mistake, let us consider some of

the comments made by Hughes (1958) on the subject of mistakes at work.

He states:

> 'In a certain sense, we actually hire people to make our mis-
> takes for us. The division of labour in society is not, as
> is often suggested, technical. It is also psychological and
> moral. We delegate certain things to other people, not merely
> because we cannot do them, but because we do not wish to run
> the risk of error.' (p91)

It could be said that the shareholders who own a company, when they elect

directors to manage it for them, are in effect hiring them to make any

mistakes which occur. The shareholders need to have belief in the prof-

essional competence of the directors, in their ability to run the company

in an efficient manner.

> 'The professional attitude is essentially statistical; it
> deals in probabilities. But there are matters about which
> we prefer to think in absolutes. In dealing with such
> matters we delegate the relative way of thinking to another,
> who becomes our agent. He runs our risks for us. We like
> to believe him endowed with charisa.' (p91)

This might reasonably be said to approximate to the way shareholders reg-

ard the directors who are managing their property. However, it is rapidly

pointed out that those who delegate work, and therefore risk, will not be particularly acceptant of any mistakes which are made. It is simply that, if mistakes are going to occur, it is altogether better to be able to blame someone else for them.

The question also arises (p93) of how a failure or mistake is defined. It is considered that there are likely to be two views of this, that of members of the colleague group, and that of the layman. One of the differences of perception (p95) is that to the layman, the technique of an occupation should be purely instrumental while to the people who practice it, every occupation becomes to some extent an art or ritual. Hence the discussion, among directors, of boardroom procedures and techniques, what is normal or correct practice and what is not, the detailed methods by which decisions are reached. To the layman, the success of the director professionally would simply relate to such questions as: is the company profitable?: will it continue to be profitable?

Hughes considers (p98) that two concepts are of great importance for the study of work, the concept of role, and the concept of social system. He says:

> 'A large part of the business of protecting oneself from the
> risks of one's own work mistakes lies in definition of role;
> and in some occupations, one of the rewards is definition of
> one's role in such a way as to show that one helps protect
> people from the mistakes of others.'

This constitutes an explanation of the non-executive director's role as 'shareholder's watchdog', protecting the interests of the shareholders from the mistakes and/or machinations of the executive board members. This is often a self-embraced role rather than a role allocated by others. Continuing with the remarks of Hughes:

> 'Now, roles imply a system of social arrangements. Most work

is done in such systems. Part of the function of these systems is to delegate, to spread, or sometimes to concentrate, the risk and guilt of mistakes...'

A board of directors is generally considered, from a layman's point of view, as collectively responsible for its decisions, and therefore for its mistakes. In this way the risk and guilt of mistakes could be said to be spread over the entire board, although situations might arise within one particular board where there is a desire to concentrate all blame on one member as a method of forcing his resignation. Mistakes are, obviously, frequently delegated, although this process may not be too successful when attempted by corporate boards. Since they head the organisational hierarchy there is a general feeling, within them and about them, that 'the buck stops here.'

Consensus Decision-Making

It is instructive to examine the actual methods by which boards reach decisions, and in particular the general insistence that all decisions are reached by consensus. This point is made not only be commentators, but by most non-executive directors and other directors interviewed.

We speculate that perhaps this insistence on consensus has the status of a convention of boardroom behaviour. Those people in positions of low influence are likely to be reluctant to concede that others are exercising influence over their activities, and that these same others are having a greater influence on the decisions reached, and therefore on the direction of company policy, than they are themselves. It is uncomfortable to regard oneself as being subject to influence, perhaps undue influence, by others, and so it is likely to be far more comfortable to assure oneself, and indeed the world in general, that all were agreed on the decisions reached, and that the decisions were the result of a true consensus of opinion.

Considering the various descriptions in the interviews of the methods by which boards reach agreement, there is a certain amount of unanimity about the process. For example, from one interview:

> 'It's like any sort of dinner party, isn't it? We discuss it, we try to persuade why or why not, and there is a group deal which emerges...the chairman will summarise, or I will summarise, or I get fed up and push it a bit, what I think the group's saying, or he will say that. So that's how it's done. But, you see, remember it's only a very small board, it's only, what, six people on the board, or seven...so it's very easy to summarise whether it's consensus or not. Anything on a four-three split, for example, hypothetically, would probably be unlikely to go through'.

One has a sense of restrained gentility about this description of the process. The board meeting is like a 'sort of dinner party'. Issues are discussed in a gentlemanly fashion and 'a group deal emerges'. The decision is either a consensus-based decision, or it is not made. The board members will all discuss their attitudes to an issue, and the chairman or this non-executive director, will then summarise what appears to be the opinion of the board collectively. This is said in this case to be a relatively easy exercise since the board is quite small numerically.

The same kind of process of decision-making is described in another interview, as follows:

> 'Well, if everyone's done their homework before, they've read the relevant papers...the chairman will normally ask the executive directors, the operating directors, to state their views, one of whom has probably written the paper anyway, and he would then either get comment freely from the other people sat round the table, or they would be asked to comment, and some of them may speak with greater or lesser enthusiasm on whatever the proposal is, if it's a policy matter, and it would become evident whether a majority of people were for or against it, whether people had reservations about it, and it would then be up to the chairman to say, well it appears that we are agreed on that one.'

So this is a very similar description of how boards actually arrive at decisions, to the one quoted earlier. The directors will all express their opinions on the issue under discussion, either in a kind of free forum or

by request round the table, and, again, the group opinion is said to become obvious. The chairman will then sum up the feeling of the group and the decision is achieved. The point is made here that the executives are invited to speak first and at greater length, but this does not appear particularly relevant to the actual mechanism of decision-making. The essential idea is that decisions simply emerge from discussion, that a consensus is established via this process of statement of opinion and discussion of these opinions. This non-executive director goes on to add:

> 'It's always open to any member of the board to say, well, I
> am less than enthusiastic because I have certain doubts, I
> wouldn't want to argue about it any further, but I still
> think we ought to be cautious about some aspect of it, or
> conceivably you could say, well I would like this to be rec-
> orded that I think this is the wrong thing to do.'

He concedes that a director may go along with a decision, help to form a consensus for proceeding with a line of action, while still having considerable reservations.about certain aspects of such a course. Here also we have mentioned the possibility of minuting a disagreement with the decision reached. This question of a directors having his dissent recorded in the minutes seems a rather tortuous one, and willbe fully discussed below. It will be seen from this interview extract that this non-executive director regards such behaviour as a barely conceivable course of action, no more.

Continuing with the actual mechanisms of consensus decision-making, a description from a third interview, which tends to bear out the impressions given by the two previously quoted examples, probably suffices to demonstrate the similarity of actual process in different boardrooms. This non-executive director explains as follows:

> 'The board is taken through the agenda by the chairman, who
> has a fairly clear idea what should be discussed, what the
> area for discussion should be, what decisions are needed...
> Generally a minor decision is a matter of common-sense, and
> agreement is given round the room almost without raising it.
> It's a succession of assent noises...There is a murmur of
> assent, if you like, that this is the policy and it's agreed,

and a good minute taker will cut all the nonsense about what
happened, because nothing very much was said, you could just
put "murmur of assent", right, he will note that it's agreed
and that something will happen.'

This description of process is specifically ascribed to the making of

'minor decisions', where what is going to happen is seen by all present

as self-evident, a matter of common-sense. It is the same type of pro-

cedure, where all directors comment, and the chairman sums up, except

here the comment is in the form of a 'murmur of assent' round the room.

(What, precisely, constitutes a 'minor decision' is not too easy to deter-

mine. It would appear to be a decision on which all directors are of one

mind without much need for discussion or clarification. We have the

rather snide observation, made by another non-executive director that:

> '...it's frequently easier to get general agreement to spend,
> say, ten million pounds on something, than it is to spend a
> thousand pounds on something which everyone's familiar with.
> There is this danger, which I think Parkinson exaggerates,
> where everyone's got an idea on the colour of the bicycle
> shed, but whether this type of plant is better than that
> type of plant they're a lot less ready to comment on')

We now move on to the procedure for 'major decisions', although essentially

adhering to the same format.

> 'If it's a big issue, people are asked to give their opinions.
> Some directors don't like to give their opinions first, for
> fear of being contradicted by other directors with more infl-
> uence later. I always find that a bit fantastic, but it's
> true, it's jolly true, and you notice it if you're chairing
> meetings youself. So you try to do the best with people like
> that. If there is a conflict of view, there are various co-
> urses. If a majority believe in a case strongly, and, say, a
> minority assent to the majority view, or give way to the maj-
> ority view, that usually goes through, and it's minuted, and
> so on. It's not done by raising hands, it's done by going
> round the directors and asking for views, and the chairman
> sums up.'

So the procedure is of the same kind except that for 'major decisions',

the opinion of each director will be canvassed, as opposed to discussion

and comment being general. Once again, the decision is reached by the

directors expressing their opinions, and the chairman then summing up
the feeling of the group. There is the suggestion that it is usual when
a minority of directors is not in agreement with the general feeling, for
them in any event to 'assent' or 'give way' for the sake of an orderly and
properly consensus-based decision. While no doubt expressing suitable
reservations, luke-warm enthusiasm, etc., as previously described.

However, the description of the way in which some directors are loathe to
begin the opinion-stating process for fear of later contradiction by more
influential colleagues is hardly suggestive of a genuine consensus of
opinion. It is likely that these unfortunate hangers-back would generally
be outside directors, since usually these are the less influential direct-
ors. The feeling one has is that such directors probably do not have an
opinion of their own at all, or if they do, have no wish to state it.
They will agree with the majority, with people of influence, because of
the perceived insecurity of their own position. Perhaps this type of board
member approximates to the description of a colleague provided by another
non-executive director, to the effect that:

> '...he picked up his papers at the station when he arrived,
> and he endeavoured to read them in the taxi going to the
> factory, which was about three miles from the station...
> the contribution he made was nil. He looked at his coll-
> eague, and if his colleague said; I agree, he agreed.'

Or, perhaps more sinisterly, some directors may be in such an insecure or
marginal position that their continuation on the board is dependent on not
offending those board members influential enough to remove them. As
described in another interview:

> 'The extreme case...is the man who controls the company,
> possibly through shareholding, and controls the careers of
> the people round the table, this is the danger, where he
> says, this is what's going to happen. People may not want
> it to happen, but really what you're doing is, I vote against
> you and I resign at the same time.'

Although it is stated immediately afterwards that this kind of pressure

would not, of course, affect non-executive directors, there seems no logical reason why it should not, espedially professional non-executive directors who are entirely dependent financially on director's fees from several companies. In the case of a particularly lucrative outside director-ship there would appear to be no reason why the outsider might not be pres-surised into voting in the way considered appropriate by a person holding a controlling interest in the company.

It does appear that some directors, because of their perceived lack of influence, prefer to cast their opinions and perhaps votes, with the more influential board members, and we wonder whether this could therefore be called genuine consensus.

The description of the decision-making process is completed, in this case, by the statement that:

> 'If, however, a vote is forced on an issue, however big or
> small, and a director feels strongly that this is not his
> view and he doesn't want to be associated with it, it is
> clearly his right to ask the secretary to minute a minority
> view, to say: "I would like it recorded, Mr. Secretary,
> that I entirely disassociate myself from the stupid policy
> which the majority of directors have ruinously supported
> on this particular matter, because, one, two, three, these
> are my reasons".'

This contains two elements which might be considered heretical by many directors, and more particularly, by many non-executive directors:

1) The suggestion that a board might be forced to vote on a policy issue.

and 2) The suggestion that it might not be too unusual for directors to ask that fairly scathing minority opinions be minuted.

1. Voting In The Boardroom

Most non-executive directors interviewed were very definite about the fact that boards rarely, if ever, reach decisions by voting. Consensus

decision-making provides a highly effective protective device behind which

any director, and particularly the non-executive director, can conceal his

own lack of influence on the decision-making process, and possibly his own

'bad' judgement. A system of voting would be horribly revealing in con-

trast, and would leave no doubt as to who had espoused the 'right' and the

'wrong' point of view. The ways in which this is expressed are suggested

by this comment by one non-executive director:

> '...really, well, I don't think there's ever been a vote in
> my boardroom, in the four years I've been there, an actual
> vote, it's always been on the basis that we retable it for
> further discussion if we can't agree or we get consensus.'

Decision by voting, then, on this board, is an absolutely unheard-of phen-

omenon, and this, as has been stated, is by no means an isolated instance.

From another interview:

> '...so many people imagine that any resolution to do or not
> to do something, in the boardroom, is a formal thing of up
> go hands of who's for it, who's against it, and in my exp-
> erience, having sat in Lord knows how many hundreds or thou-
> sands of board meetings, I can only recall one or two cases
> where there in fact has been a vote, and people have been
> asked to put their hands up. The decision sort of emerges
> without formality.'

In other words, the decision is reached by consensus, and the idea of boards

voting to reach decisions is just a popular misconception. As has been

remarked, many directors are extremely vehement about this. Again:

> 'I've been chairman of five or six companies and sat on a number
> of boards, and it's very exceptional for there to be an actual
> formal vote on a resolution for anything. I mean, there's a
> formal vote, we now have to pass a resolution recommending a
> dividend or approving the accounts, that is not formal in the
> sense of there being a for or against, it's purely for the
> minutes, you need a vote which says that the directors resolved
> that the interim devidend should be 5%,'

Votes are things that are taken on purely formal matters for the sake of

appending the appropriate note to the minutes. The idea that policy dec-

isions would be made by means of voting is astonishing and unusual, and

this does seem to be a general feeling throughout most of the interviews.

However, although general, this view is not universal. One director has

already been quoted as not appearing to regard a vote in the boardroom

as particularly amazing or abnormal. In the course of another inter-

view the researcher was told:

> 'Well in the end... the decisions of the board are as often as
> not made by the decisions of the majority of the directors.'

When the researcher humbly suggested that she had heard that most boards

made their decisions by consensus, she was informed that:

> 'In the end, if you've got five out of eight forming a block,
> or if you've got three out of eight leading the view and
> forming the decisions, and another two are able to agree,
> then you've got a consensus which is also a power block...
> Boards try not to have votes, and they try to arrive at
> consensus, but really I suppose all a consensus is is a
> majority of them anyway in agreement, and a minority not
> in agreement, and that's a consensus, five out of eight
> agreed to do something. Three out of eight have been over-
> ruled.'

The researcher then suggested tentatively that to achieve a consensus,

the hypothetical three in disagreement would at least have to agree to

go along with the majority opinion, and was told:

> 'But if they didn't agree to go along with it, it wouldn't
> matter, would it, you'd have five votes against three...In
> the end I suppose it doesn't matter whether they agree to
> go along with it or not, if there's a majority in favour
> of doing it, then it's as good as done anyway...'

This non-executive director obviously feels that the convention of con-

sensus decision-making is unimportant, and that what is important is

the voting power of the directors. He appears to regard decisions as

being reached, usually, by a kind of implicit vote or head count, although

the occasional explicit vote would be regarded as unsurprising. If the

majority of directors on a board are determined on a course of action

then 'It's as good as done anyway'. The opinions of the disagreeing mi-

nority are not of importance, unless there is some method by which they

can persuade their colleagues to re-think their decision. He concedes:

> 'The others are then in the awkward position of being faced
> with a decision by a majority, but nevertheless, if the other
> three given that there are things and points which the executives
> have failed to think about, then those three will draw the exec-
> utives'

> attention to it and there could well then be a re-vote, of
> the eight, and some of the executives might then change their
> minds.'

It is of interest to note the way in which this non-executive director automatically talks in terms of voting, although the hypothetical discussion began with the forming of a consensus. It is apparent that even where there is no formal vote, this non-executive director thinks of decision-making as a process operated by weight of numbers and voting power, although this process will no doubt generally be implicit.

Possibly the difference noticable here lies in the extent to which this non-executive director is himself in positions of fairly high power on the boards being discussed. Since he perceives his position as one of relatively high power, the convention of consensus decision-making may well have lost its significance as a protective device. It is, indeed, likely to be quite pleasant for a director, and particularly a non-executive director, to be able to regard himself as such a powerful force on his boards that there is no need for him to hide his opinions behind the convention of the consensus.

2. <u>Minuting Disagreements</u>

This brings us to the second point, the issue of the recording of minority opinions. In this same interview, the non-executive director remarks that:

> '...people do often ask that their disagreement should be
> recorded.'

From the data obtained in other interviews, it would appear that people by no means often require disagreements to be recorded. The general feeling, as with the issue of decision-making by voting, seems to be that formal recording of dissent is abnormal and surprising, and in some way vaguely incorrect or shocking. It is likely that the non-executive director who is suggesting that recording dissent is a normal occurence is stating that,

as a result of his own high power status, he himself would aften ask

that his own disagreement be recorded. The researcher feels that this

is a very long way from being a wide-spread attitude. This non-execu-

tive director explains that, on the question of recording disagreements

with decisions, a director should do so because:

> 'When the chips are down, each director must stand up and be
> counted, since he has a responsibility to the shareholders
> to have an informed viewpoint.'

Other non-executive directors interviewed, as has been noted, state

the very opposite as normal boardroom practice. In another interview

it is remarked that:

> 'I don't think anything has come up where we've actually said:
> "I really don't think this should happen and I want that rec-
> orded in the minutes".'

Another non-executive director replied to the question of whether people

ask that their dissent be recorded:

> 'Not often, in my experience. Usually when a board does some-
> thing, it's because they agreed that what they are going to do,
> or what they are doing,   is the right and best thing
> under the circumstances.'

If the speculations made about the meaning of the convention of concen-

sus decision-making have any basis in reality then it is readily appar-

ent that the convention will also be likely to include a reluctance to

be overt about any disagreement with a decision. This is manifested in

the general reluctance to vote on issues of policy. Obviously one can-

not be much more overt about disagreement with decisions than asking

for such disagreement to be formally minuted. The director is then

literally on the record as having expressed an opinion contrary to that

of his colleagues. The 'correctness' of such an opinion would be likely

to be a matter of considerable concern to a director under such circum-

stances, since the non-executive director does not have a licence to

make many 'mistakes' of this mature.

Continuing, another answer to the question of the normality or otherwise

of recording minority opinions was as follows:

> 'We have two directors who like to record minority - I can't
> ever remember recording a minority view, which shows I must
> be wet or something, or I agree too easily, I see the other
> person's point of view. The chairman, the present chairman,
> has three or four times expressed a minority view, and each
> time caused me to smile...(the) assistance executive director
> has also expressed minority views with which I generally
> totally disagree...'

The interviewee himself is not in the habit of recording minority opinions.

Although he indulges in a certain amount of self-recrimination over this,

his conclusion seems to be that he does not record dissent because he is

always able to see things from the other peoples' point of view, i.e. he

has the ability to be sufficiently objective to be able to give construct-

ive assistance in the forming of a consensus of opinion, even when he does

not wholeheartedly agree with the conclusions being reached by his coll-

eagues. The chairman frequently records a minority view, and this appears

to be viewed with kindly tolerance. Any chairman is, nominally at least,

the man with greatest power in the boardroom, so if the chairman cannot

record disagreements, who can? We have again the suggestion that in the

case of persons with a high power status the protective convention that

generally operates to prevent such blatant displays of individualism as

publicly disagreeing with all of one's colleagues ceases to be of signif-

icance. The high power status is sufficient protection in itself, or at

any rate many people in such positions believe this to be the case. Regar-

ding the other unfortunate who is in the habit of recording his dissent,

one does have the distinct impression that he would have been better adv-

ised not to embark on this practice. There is further comment on this

person suggesting that his level of mental ability is such that he has

difficulty comprehending the facts in any given situation. This might be

seen as evidence that the recording of minority opinions is not generally

liked or encouraged, that it is, in fact, not normal practice.

The 'normal' director, and particularly the 'normal' non-executive director, tends not to record minority opinions. Such opinions may tend to be 'incorrect' and will reduce a director's credibility with his colleagues. It is generally safer to act in concert with one's colleagues, since then, even if decisions are reached which later prove to be inadvisable, no direct blame can be apportioned to individuals and any credibility that is lost is at any rate lost collectively.

Summary

The majority of directors interviewed asserted that decision-making by consensus of opinion was normal boardroom practice, although other alternatives are obviously available. As explained in one interview:

> 'Obviously decisions can be reached in different ways. These could be:
> a) unanimous, i.e. all board members must be in agreement or no decision is possible;
> b) consensus - this is what generally happens. You don't need to vote, it is simply a question of the feeling of the board;
> c) power-based - this generally means voting, or decisions might be dictated by a man on whom the business is dependent, for some reason.'

However, the point is made that decision by consensus is most usual. In the interviews conducted it was stated that this was the case, with only one or two exceptions. The descriptions of types of procedure for arriving at a consensus given by various non-executive directors interviewed are in general terms of a similar nature. The idea is that the feeling of a board over any issue 'emerges without formality', and can then be summed up by the chairman or one of the other directors.

Jaques (1976 p 214) defines consensus as follows:

> 'In any one association consensus is usually defined in terms of the majority view, expressed if necessary in voting, a definition deriving from the democratic tradition. What must be noted, of course, is that a majority view is by itself not sufficient for consensus to exist. There must also be a

willingness on the part of the minority to accept the maj-
ority view. Consensus concerns the attitude of the total
population - it is a social centripedal force binding an
association together. Dissensus is precisely the opposite
- a social centrifugal force, causing an association to fly
apart. An opposition minority is thus also taking part in
consensus formation if it chooses to keep the association
intact.'

With regard to company boards, it should be noted that directors would

not accept a definition of consensus arrived at by voting, whether or not

this is in the democratic tradition. Decision-making by voting is seen

as an entirely different form of procedure, as has been discussed. Apart

from this, Jaques' definition is more or less in line with the ways in

which directors would define consensus.

Further points are made regarding factors necessary for consensus decision-

making within any 'association'. These are (p289) as follows:

1. All members of the association should be equal. Every member has the

    same rights, although some may exercise more power because of their

    persuasiveness, reputation, or perhaps shareholding. Each has one

    vote. None is accountable for the activities of the others. None

    have authority to instruct the others to do anything. Each must obey

    the rules of the assocation, but is not obliged to take an active part.

2. Debate and persuasion are crucial for formation of consensus.

    Consensus is usually formed according to the majority view (or vote)

    but the minority must be willing to go along with the majority, unless

    of course, some kind of coercive power is exercised.

3. Associations are power groups. Their members form power sub-groups

    for the purposes of argument and debate. However, the power of any

    association will depend on the strength of consensus among its members

    and their willingness to adhere to that consensus.

4. Constitutional mechanisms are necessary to provide rules which set limits within which power can be expressed. Such a constitutional framework applies to relationships within associations as well as to relationships between them.

5. Associations act through (elected) representatives. These representatives may not be the most competent members of the association. There may be others who could do better, but have not the available time, or for some other reason do not participate.

Regarding these general assertions, there are some points made that would not be perceived as applicable in the context of company boards. Considering point 1 above, the content of this might be regarded by directors as substantially correct. However, boards are supposedly individually and collectively responsible for all decisions made so the assertion that none is responsible for the activities of the others is not legally correct, although it might be substantively correct. There might also be argument about none being obliged to take an active part. Each member of a company board, it might be said, has a specific responsibility to act in the best interest of the owners (shareholders) whose agent he is in running the business. Failing to take an active part in the work of the board might suggest an abrogation of this responsibility, in theory. In practice, however, no doubt many directors do not take a particularly active part in the proceedings.

Regarding point 2, one would not imagine consensus arrived at by coercive methods would be considered, at least by those concerned, as a genuine consensus in any association.

On point 3, the suggestion that members will form 'power sub-groups' as part of the decision-making process would be repudicated by some directors, acknowledged by others. The data suggests that this is sometimes, although not necessarily invariably, a part of the process.

Points 4 and 5 need little clarification or argument and are fairly self-evident as explanations of the conduct and procedures of fairly powerful decision-making groups or 'associations.'

Let us consider the meaning of the term 'consensus' as used by directors interviewed. To reach a consensus, it is not necessary that there is un-animous agreement on the issue concerned, but there should be a sufficient degree of acceptance, by all members of the group, of the decision which is reached. It is not necessary for all members to positively agree with the decision, but none should absolutely disagree. Those not positively agreeing should be prepared to 'accept' the course of action and 'go along' with it. Normative controls operate within the group to create this pre-paredness to accept decisions - it is the ability to see the other person's point of view, and to accept its validity.

The supposition which we have formulated from examination of the interview data is that genuine decision-making as defined in the paragraph above may not, in fact, be taking place. The insistence that all decisions made by any given board are arrived at by a true consensus of opinion, particularly where this is put forward by non-executive directors, may in fact be merely a protective convention of boardroom behaviour. The existence of such a convention would serve as a safeguard against any director, and particular-ly the non-executive director whose position within the boardroom is often of a marginal or ambiguous nature, being a figure with a relatively low

power status or with limited influence. The convention will operate to prevent the non-executive director himself from acquiring such a self-image. It will also operate to protect such directors from falling into ill-repute with their colleagues, and to prevent the company, and the world in general, from perceiving power differentials between different board members.

We take note of the general insistence on the impropriety of decision-making by voting, and the general feeling that the recording of minority opinions is not normal practice, is not well regarded, and should be avoided. We also note that these requirements cease to apply, or apply less stringently, when considered in relation to directors who are perceived or who perceive themselves, as being relatively powerful. We also note that such directors do not display the normal interest in discussing the mechanisms of reaching consensus, since they do not regard the protective nature of the convention as relevant to themselves.

Also, there are comments regarding the conduct of certain directors who perceive themselves as lacking influence. There is the suggestion, in one interview, that such directors are reluctant to express any opinion on issues until they can be certain of not contradicting directors they regard as more influential. In several interviews we can find implications of this kind of behaviour. This suggests that these directors are not helping to form a genuine consensus. They are waiting to see which way the wind blows, and throwing in their lot accordingly, probably due to their own feelings of insecurity regarding their position on the board.

Power Blocks

As has been suggested elsewhere in this work, despite the general insistence that decisions are made by consensus, it becomes increasingly apparent

that a great deal of importance is attached to the forming of power blocks

on boards and that a certain amount of decision-making, perhaps a large

part of it, is dependent on these power blocks. There are also frequent

references to the recruitment of directors specifically to vote for one

particular faction. For example:

> 'Non-executive directors in some instances are specifically
> brought in as voting fodder for the chairman. In Co. R.
> there were three at one time, the company secretary, the
> lawyer and the accountant.'

The whole question of power blocks, including such refinements as recruit-

ing directors merely to acquire their voting power is, naturally enough,

one that many non-executive directors do not wish to discuss. They will

simply say that this is a mythical concept of the way in which boards

work, that decisions are made by consensus. It appears that only directors

who have a power-based view of the way in which boards operate, or at

least a partially power-based view, are prepared to discuss this topic at

any length. This is hardly surprising, since an individual's mode of

perception will affect the interpretation he places on the interaction and

activity he observes.

One non-executive director states that:

> 'Power is power. If you have it, you use it. In every company
> ask, where does the power lie? It's not right to play it down,
> because that's the reality of the situation. If there is
> power, it will be exercised.'

This same non-executive director says:

> 'I don't think that power blocks are a myth, I think they are
> a reality.'

The data examined in the course of the discussion of consensus decision-

making often contains the implication that this is so, as does the data

discussed relating to the appointment of non-executive directors as 'voting

fodder'. The question of exactly how important the existance of such

power blocks would be is, however, rather difficult to determine, as is

the extent to which they would influence decision-making.

From another interview, when asked how the board of a certain company

worked, the director responded:

> 'One or two of the factors I've discussed do occur in our own
> board, partly because we have three blocks. We have an exec-
> utive block...we have a shareholder's block which is exercised
> through one lawyer and one shareholder relative of the family,
> and we have a bankers block.'

However, when the researcher suggested that power blocks might be fairly

important, the reply was as follows:

> 'No, I didn't say they were important. In most cases they do
> not emerge for the normal run of business. In most cases
> there is a consensus view, but there are certain cases, on
> long-term policy, where there are power block influences.
> Now one of the reasons why there isn't much conflict between
> power blocks is because they concern themselves so much with
> short-term matters, on which there's bound to be a consensus
> anyway, because they've either happened, or they're not imp-
> ortant, or they involve a few hundred, a few thousand, a few
> ten thousand pounds worth of money, it's not worth arguing
> about, so everyone goes along with it. It's only when you
> decide, should the company be in existance, and so on, you
> start to ask some searching questions, then you get blocks
> with different views.'

So, although board members may, as a kind of natural process, divide up

into different interest groups, such groups only become important if there

is some kind of crisis within the company, or some really major decision

which will have considerable impact, needs to be made. This interviewee

has no doubt at all that such groups will form, and have in fact formed

within the board under discussion. However, he feels the question of their

influence on the decision-making process is not relevant under normal cir-

cumstances. Routine decisions will be made by consensus. It is only

major policy decisions that cause such groups to actually come into con-

flict, and attempt to determine their relative power. It is only on major

matters that this power-based method of decision-making becomes relevant.

This view is supported, in similar terms, in other interviews. Another non-executive director, having discussed with the researcher the existence of different shareholding factions within a board on which he sat, when asked by the researcher whether power blocks would not, therefore, become very important, replied:

> 'I think this is an overdramatisation. I think power blocks can build up, and probably have built up, but I think it's exceptional rather than the rule, and if you read your Financial Times regularly, I think you hear of most of these cases where it happens, and when you think of the number of reports you see where there is conflict in the board, where there are resignations, compared with the number of companies which trade on the Stock Exchange, it's a very small number.'

The researcher, humbly trying to make amends for her previous incorrect suggestion, then wondered whether power blocks might not be a very important factor at all in the way boards work. Wrong again, she was informed:

> 'I think it's very important when it is important, but I don't think it's very important, sort of, twelve times a year.'

This is the same view of the way in which boards operate as that expressed in the previous interview. Factions can and do build up on boards, but their existence and relative power only become important on the infrequent occasions where major decisions affecting the future of the company are to be made.

A rather different picture is presented in another interview, in that the factions under discussion are formed by executive board members.

> 'The company's basically divided into X and Y divisions, the people in charge of these divisions of course grow at different rates...'

This non-executive director feels that the chairman regards his function as that of an arbitrator, and the necessity for arbitration, far from being very infrequent, seems to be on-going. It is further explained:

> '...inevitably when you have two people with fairly reasonable growth records, on two major divisions, one of them wants to be top bull...(there is) very obvious fighting. Childishness, almost...eight, nine months ago it was particularly embarassing, well, not embarassing, it was interesting really, with the obser-

vational hat oh this is interesting, but it is bad mannered, it is inefficient, it doesn't do either any good...it was very stupid in my opinion, it wasted a lot of board time. It meant basically that one had to decide one way or the other. It meant that each would attach the other's record, with snide, stupid remarks. It was very silly, but also inevitable.'

This is a description of a different type of power struggle altogether. This is a question of two important executives each trying to obtain more power within the company than the other. Forcing other board members to side with one or the other is a demonstration of power gained. The issue chosen for such a demonstration is irrelevant. Thus the description of on-going back-biting and disagreement in the board-room. It is not the issues they are disagreeing over that are important, simply the act of disagreeing. This will still have the effect of causing factions to form in support of one or the other, but it is a very different type of struggle to the kind involving disagreement amongst shareholders on major policy issues. It would appear, on this board, that the factions are present, and that they are continually in conflict, but this is not considered particularly important. Rather, it is 'silly', 'childish', a waste of time.

In one discussion with a non-executive director the issue of power blocks, how they are formed and how much power/influence they wield, was considered so important and so relevant to the decision-making act-ivities of any baord, that the researcher was actually provided with sketched diagrams of the way the 'sides' were formed on two boards of which this non-executive director was a member. A reproduction of these will be attempted. He considered that non-executive directors will be likely to form one faction, executives the other, and that the real issue is the amount of power which can be made use of by either faction. The diagramatic representations are as follows:

1.

	non-execs.	exec.	
	chairman	chief executive	
power block	deputy - chairman	financial director	strong power block led well by chief executive
	non-exec. director	secretary	
	2 other non-executive directors.		

N.B. Any three non-execs. including any two of those forming the non-executive power block would be likely to prevail.

2.

	non-exec.	exec.	
A -	a large shareholder	President	
B -	the director being interviewed	Executive Vice President	extremely strong power block controlling the company.
C	two very unimportant non-executive	Senior V.P.	
D	directors	Senior V.P.	
		V.P.	

The idea seems to be that the executive block is exceedingly strong and controls the company, running it in which ever way they wish. The non-executive directors in this company, although fairly numerous, are described as having very little real power. The one non-executive director who is also a major shareholder alternates between supporting the policies of the executives and trying to override them, in an attempt to do the best he can for his shareholding. The executives are more concerned with their own well-being than with that of the shareholders. The non-executive director interviewed 'goes along' with them because they are too powerful to be successfully disagreed with.

What emerged from this discussion was that this non-executive director considers power blocks extremely important with regard to all aspects of decision-making. The entire business of running a company is dependent on the power structure within the board. Short notes were made on all this by the non-executive director for the benefit of the researcher, a procedure which proved relatively unusual while conducting such interviews, and which points to the emphasis laid on these factors by this non-executive director. Quoting from these notes on the subject of how the power structure of a company is determined:

'The structure of power in the boardroom depends on the following:

1. Where does the power rest?
    Who controls the company when the chips are down?
    Who controls the money when the chips are down?
    Who fires who?
    Who is supported by the shareholders?

2. The number of non-executive directors as opposed to executive directors.

3. The pattern of non-executive directors as opposed to executive directors (the power pattern).

4. How replaceable are the executives?

5. The support power, e.g. institutional shareholders.'

All these factors will determine the kind of power blocks that emerge and the relative power they hold. It is necessary for a non-executive director to have an understanding of these processes in order to manage his own role within the company. If a non-executive director remains unaware of such contingencies he is likely to, for instance, offend the wrong people.

Our conclusions, from this short discussion, are that, despite a generalised insistence on consensus decision-making as normal boardroom practice, situations do quite often arise where what might be described as interest groups form on boards. Whether or not such groups achieve the status of

power blocks appears to be dependent on environmental pressures, and on the nature of the board itself. The last non-executive director quoted would, of course, regard all such groups as power blocks per se, whether or not they were overtly influencing company policy. Whether this view is correct or not has to remain speculation.

THE CONCLUSION TO THE RESEARCH REPRESENTS AN ATTEMPT TO PRODUCE A

THEORY OF THE WORK AND ROLE RELATIONSHIPS OF THE NON-EXECUTIVE

DIRECTOR

As has been stated, non-executive directors are serious people going

about serious business. They regard themselves as undertaking work,

not theorising about it; that is to say, they perceive a qualitative

difference between themselves and academics, theorisers, philosophers.

They regard themselves as 'doers', not 'theorisers'. Quoting from a

letter regarding a discussion group on the role of the non-executive

director, organised by directors, on the subject of possible further

legal requirements to be imposed on boards, it is remarked:

> 'These requirements may result from the proposals of theory
> people, rather than those who actually bear the responsibility
> of chairing boards of directors.'

The theorisers are perceived as being different people from the di-

rectors. The theorisers are academics and commentators, not working

directors. From the interview data we have the remark that:

> 'A company ... is composed of people who are interested in
> getting things done rather than writing books on philosophy.'

However, in common with the rest of humanity the non-executive direc-

tor does theorise about his work, despite the emphasis on the director

'getting things done' rather than contemplating the ways in which

things do get done. As can be seen from this research, it is entirely

false to regard the director solely as a man of action as opposed to

a theoriser. In discussing their work, the non-executive directors

interviewed all produced theories concerning the nature of their role.

They were prepared to justify or rationalise aspects of their work,

and to produce generalised theoretical frameworks to explain their

activities.

While the ad hoc theories of members are not precise or scientific,
they are nevertheless sufficient as an explanation of their own work,
and are frequently put forward as prescriptions for others under-
taking the same work. There is evidence to suggest that such pres-
criptive theorising can achieve the status of a recipe for competent
role performance, and that members internalise such prescriptions and
use them as a basis for further theorising about their role, as well
as using them as guidelines for role performance.

This research has selected a number of major areas of member theoris-
ing about the role of the non-executive director for discussion and
analysis. It is not claimed that this work is comprehensive. There
may be other areas of concern to members that have not appeared in
the interview data or that have been touched on only briefly in the
analysis of member theory. However, on the basis of the data obtained
an attempt has been made to deal with those issues that appear most
crucial to members. The kinds of things members theorise about are:
the nature of the role, the issue of competent role performance, the
relationships they form with relevant others, and the ways in which
power and/or influence is exercised, either by themselves or by rel-
evant others.

The basic question this research is addressing is: how is outsider
participation in top-level decision-making within an organisation
managed? The answer to this, in effect, constitutes a theory of the
work and role relationships of the non-executive director. Inherent
to this is the perception of the non-executive director by himself

and by others as an essentially marginal figure occupying what is frequently seen as a rather ambiguous role.

1. The Nature of the Role

It can be seen from the empirical data that non-executive directors each arrive at their own, differing perceptions of the nature of the role.

Every board is, in a sense, unique. Boards will vary, depending on the size and type of company, the personalities and skills of the directors, the personality of the chairman, etc. Even given that there is a basic similarity, in that each board fulfills the same function in a company in a generalised way, each non-executive director will still have a differing, individual perception of the nature of his role on that board. The response of an individual to a unique organisational climate is also likely to be unique.

Aside from members' speculations on appointments of this nature, it can be seen that the role a non-executive director plays may be, to some extent, defined by his fellow-directors before he takes up the appointment. The directors will have reached some conclusions as to why the appointment of an outside director is desirable, and the person appointed will be expected to conform to these criteria initially, although there is the possibility that he can produce his own redefinition of his role once he is established within the organisation.

Role is a learnt activity, and there will be some process of socialisation into a role. With regard to the non-executive director, one can suggest that socialisation takes place both before and after

appointment.

Role performance is a negotiated activity. The competent non-executive director is the result of an interactive process, and the role is subject to continual renegotiation. The relevant others in this process are the non-executive directors' fellow-directors, which is hardly surprising bearing in mind the relatively small amount of time a non-executive director will spend with any one company, and his lack of day-to-day involvement with company affairs. The role the non-executive director plays will depend on how his colleagues perceive him, and how he perceives them.

2. Competent Role Performance

The issue of competence as perceived by members and by commentators on members' activities is regarded as crucial to this research. It has been approached by constructing and itemising an ideal type of the non-executive director from prescriptive documentation and survey reports. This has then been used as a contrastive device against which to examine the actual contingencies of role performance.

The question of competence arises both in relation to the non-executive director being perceived as a competent member of the collectivity known as non-executive directors, and as a competent member of any particular board on which he sits. The two are by no means identical. The issue can be broken down into 'social' competence, that mastery of the collective symbolism that a member must possess and be seen by others to possess, as a prerequisite for being permitted to attempt role performance, and 'technical' competence, the range of abilities an actor must have to produce a competent role performance once the

role is acquired.

It can be seen from the body of the text (chapter 4) that there are very few major inconsistencies indicated between the Ideal Type constructed and the ad hoc theorising of members on the subject of competence. Members' accounts of role performance are more informal, vague and diffuse, than the picture presented by the ideal type, but the accounts have a recognisably close relationship to it.

3. Relationships with Fellow-Directors

i. The social aspect of boardroom relationships.

For the non-executive director to be perceived as competent in any particular boardroom, it is necessary for him to maintain an adequate level of relationship with all his fellow directors. This will ensure that the board is able to operate smoothly and the directors will be able to work together easily.

The non-executive director must be amicable and able to communicate easily. He must present an appearance of 'getting on with' his colleagues in order for the decision-making process to operate smoothly. The non-executive director must employ tact and diplomacy in order to present his questions, suggestions or disagreements without giving offence to his colleagues. The attitude of non-executive directors interviewed is pragmatic. It is not actually necessary for the non-executive director to like his colleagues. He must acquire the 'common language' of his board and become integrated into the existing structure, before he is able to perform his role adequately. This integration becomes the vehicle by which he can make himself heard.

ii. Relationships between non-executive directors.

It appears that members make a generalised assumption that non-executive directors are each others' natural allies and will support each other on most issues. This assumption has the status of an idealised notion, of something that it is felt should happen, rather than something which does invariably happen. Where non-executive directors are appointed at the request of a specific interest group on a board, despite various protestations of independence, etc., it can be seen that they form alliances with other non-executive directors having the same basis of appointment, but not with non-executive directors whose basis of appointment rests with a different interest group.

iii. Relationships between non-executive directors and executives.

The non-executive director should not become 'too friendly' with his executive colleagues, since this might tend to cause him to come to regard company affairs from an insider perspective, thereby affecting his judgement and endangering his independent point of view. However, it is vital for the non-executive director to have 'good' relationships with the executives, for various reasons. The board must be able to operate smoothly in a procedural sense. Also, the executives will often represent an essential source of information to the non-executive director, who, owing to time constraints, may be less well-informed about certain aspects of company affairs. Also, it is necessary for the non-executive director to be perceived as competent by the executives in order for them to be prepared to implement, or implement wholeheartedly, decisions which the non-executive director has been instrumental in making.

iv. Relationship between the non-executive director and the chairman
and/or chief executive.

The nature of the 'correct' relationship is not laid down. There is
no legal framework defining it, neither are there any generally
accepted rules of conduct. The relationship is negotiated by the
participants, rather than prescribed by external sources.

Many non-executive directors perceive a close relationship with their
chairman, and also with the chief executive where the roles are sep-
arate, as being especially important for competent role performance.
The contribution the non-executive director can make is seen by some
non-executive directors as proportionate to the closeness of the rela-
tionship. The chairman (and the chief executive) can keep the non-
executive director informed, and request his advice and opinions. If
the top man or men in the company do not do this, many non-executive
directors feel that no other board members are likely to bother. The
inside directors will be better informed and more closely in touch with
company affairs. If a non-executive director does not have the ear of
the chairman it may be difficult for him to achieve anything. Also,
the insiders are viewed as dependent on the chairman, particularly
when also chief executive, in terms of their careers. The non-executive
director represents an independent viewpoint, but for this viewpoint not
to be perceived as marginal or irrelevant a close relationship with the
chairman is necessary.

Some non-executive directors do not see the relationship as particularly
relevant. They tend to regard their chairman and chief executive crit-
ically, with a view to removing them if they do not appear competent.
However, they will give their support if they are convinced of this com-
petence. While some non-executive directors require the chairman and

chief executive to perceive them as competent and trustworthy, other non-executive directors appear to concentrate on whether the chairman and chief executive qualify as competent and trustworthy. Personal relationships are regarded as unimportant. These non-executive directors regard the operation of a board as being concerned with obtaining and exercising power.

4. Power and Influence in the Boardroom

i. Members' perceptions

From the interview data it is apparent that members perceive power and influence as different phenomena. Power is the ability to force things to happen, to override disagreement. Influence is a more subtle quality, which must be exercised on power-holders. It is possible to have either or both of these attributes.

Non-executive directors generally (although not invariably) define themselves as influential rather than powerful. They tend to perceive the role they play as more passive than active, although there is a whole range of different viewpoints on this.

The 'passive' definition of the role is possibly a rationalisation of the non-executive director's perceived lack of power, lack of ability to influence outcomes in any given situation. This kind of definition of the nature of the role is presented by many non-executive director as a prescription for competent role performance. It may in fact be a useful approach to the role under some circumstances, since it enables the non-executive director to avoid feelings of frustration and impotence which would otherwise be inherent in a situation of low influence.

A small number of non-executive directors do have a power-based model of the way in which boards operate. They tend to be, themselves, in positions of relatively high power. They perceive a responsibility for monitoring the performance of the executives, and changing them or 'sacking' them if they are considered unsatisfactory. They are able to perform their roles in this way because of the structure of the boards on which they sit, the number of non-executive as opposed to executive directors, and their own position and powers on that board.

The most usual view, however, is that the non-executive director, since he is respected for his wisdom and independence, will be influential and will be listened to, although it may not be his function to actually institute policy. His role may be more concerned with preventing the implementation of incorrect policy, by various means.

ii. Making mistakes

Few directors wish to run the risk of being seen to be in error, be they executives or non-executive. Non-executive directors, especially, cannot afford to have a record of arriving at wrong conclusions and publicising these, or otherwise causing this to be remembered. Since non-executive directors are often in a more marginal position than other directors, they are more dependent on the continuing belief of relevant others in their powers of judgement. Non-executive directors are appointed on 'their track record and proven effectiveness'. The non-executive director, even more than the executive, 'stands on his record'. He therefore cannot afford this record to be of continual or serious errors of judgement. The non-executive director will need to be very confident that his view is the correct one before he is prepared to enter into open disagreement with his board, because his

position depends on his maintaining his credibility. Some non-executive directors in fact perceive their positions as so marginal that any disagreement with their board would effectively constitute a mistake, whether their viewpoint was actually correct or not. There is a general tendency, of both individuals and groups, to attempt to attribute any mistakes made to others, although this is obviously quite difficult for corporate boards. The risk and guilt of a mistake may be spread over the entire board, or focussed on an individual in order to force his resignation.

iii. Consensus decision-making.

There is a general insistence, both by directors and by commentators, that boards reach their decisions by means of consensus. We are considering the possibility that this in fact has the status of a convention of boardroom behaviour. People in positions of low influence will be reluctant to accept that they are influenced by others, or that company policy is being shaped and directed by others. It is far more comfortable to feel that all were agreed on the policy, and that it was the result of a true consensus of opinion.

Other points relating to this are:

a) Voting in the boardroom.

Most non-executive directors state that boards rarely, if ever, vote on policy decisions.

However, a few non-executive directors do seem to work on a voting model of decision-making, regarding decisions as reached by weight of number, whether the vote is explicit or implicit.

b) Minuting disagreements.

Again, there is a general feeling that this is rarely done and is not normal practice, although a few non-executive directors, those with high power status, may make a policy of recording dissent.

Perhaps under some circumstances genuine consensus decision-making is not taking place. The general insistence on this may be a convention to ensure that all directors are perceived, and can perceive themselves, as equally influential and responsible. It prevents individuals from 'making mistakes', spreading responsibility over the entire board. It tends to be disregarded only by directors with a high power status.

iv. Power blocks.

This is an issue that many non-executive directors do not wish to discuss. They will state that the building up of power blocks within boards is a myth, and that all decisions are made by consensus, as discussed above. However, it should be noted that throughout this work there are references to the recruitment of non-executive directors as 'voting fodder', appointed simply to cast their vote or their influence with one particular person, or group of people, on a board. The non-executive directors that do discuss the phenomenon of power blocks are generally those who have a power-based view of the way boards operate. Such non-executive directors regard power blocks not as a myth, but as a reality. They feel that where there is power, it will be exercised.

It is suggested that interest groups will tend to develop on boards. The extent to which such groups exercise power over the decision-making process is differently interpreted. It is suggested by some non-executive directors that power blocks only become important if there is a crisis or a major decision to be reached. They are not normally relevant since routine decisions are made by consensus. Other non-executive

directors regard the structure and distribution of power within boards
as crucial to all decision-making, and feel that the non-executive
director must have an understanding of this in order to perform his
role.

The summary cited above delineates some of the major areas that the non-
executive directors interviewed seem to see as crucial in the perform-
ance of their work. The work of the sociologist, as outlined in
chapter 2 has been to capture these concerns and in some way to categor-
ise them, but we would suggest that these categories are sufficiently
loosely framed for them to accommodate the data, rather than the data
being 'trapped' by the categories. We would suggest that the data pro-
vides some significant insights into general sociological theorising,
in three areas in particular.

1. The Concept of Marginality.
Generally the literature on the 'marginal person' emphasises the notion
of its problematic nature. Indeed at times the data provided by the
non-executive director indicates that marginality can give rise to
experiences of role dissonance and role ambiguity. At the same time,
however, such experiences can be countered by an appreciation of the
self as being the organisational source of such features as the ability
to 'be objective' (i.e. to take a stance that is unfamiliar to other
members), to represent the 'outside world' in the inner enmeshments of
organisational life, to offer succour and advice to the most senior
members of the organisation. Thus the perceived fact of marginality
can be seen as a source of power within the organisation. In this
sense marginality can be seen as not merely a structural item but also
a matter of the interplay between a) the relationship between culture
and structure in boardroom practices, and b) the ability of the non-
executive director to bring to bear personal skills and attributes that

assist him to transcend structural marginality.

Firstly, we have seen that if there is a boardroom culture that colludes (either implicitly or explicitly) to exclude the non-executive director from information that relates to company affairs, then the non-executive director will experience marginality and a degree of alienation; secondly, we have seen from the data how the non-executive director will awarely use skills such as 'tact' and 'diplomacy' in order to inject into the board (or to persuade individual board members) the 'objective' or 'outsider' features that might figure in the situation.

2.   Marginality and Role-taking.

In terms of what is regarded as conventional role theory, what we have tended to see is that what are customarily regarded in sociology as aspects of role-taking are seen by members themselves in terms of ground rules that would seem to be a necessary, if not sufficient, condition for potentially successful interaction with those whom they wish to influence. Thus such items as solemnity of dress, reading the 'correct' newspaper, etc., are only preliminary indications of potential ability in performance of the role, where these might be said to be the most obvious aspects of role-taking. Generally, however, we can see that the distinction between role-making and role-taking is, for most role occupants, one which is blurred; it is difficult to claim with any high degree of certainty whether any attribute of the non-executive director can be said to be a response to the requirements of others in the role-set, or is a quality that emerges from the individual personality. What we have seen is that role performances are carefully calculated and are undertaken with awareness of consequences; that competent role perform-ance is seen as a prized skill, and one that the non-executive directors interviewed all feel that they possess.

3.   Role taking and the Skilled Performance.

We would, in addition, wish to suggest that the interviews reveal a
dialectic between perceived structural position and the possession of
prized skills, which, as we have seen, are social and task skills, that
contributes something to the continuing debate about power. In macro
terms, the interviews reveal that although the non-executive directors
do see themselves as somewhat marginal, they also see themselves as con-
stituting part of the power elite; they see themselves as helping to
facilitate important and fateful decisions, fateful for the future of
the company, and sometimes for 'society at large'. In these terms they
would assent to those sociological theories that power is locatable in
society.

Of more moment to this work, however, is that issues of marginality
and members concept of competence are associates with the ability to
perform the role in a manner that is 'non-abrasive'. Members see them-
selves as being highly influential, without resorting to the use of
'force', in relation to the exercise of personal power. Eilon (1980)
has commented of the data collected and displayed in this thesis on the
absence of voting in a desire to achieve consensus, that:

> "the impression might be gained that such a process is a
> manifestation of how the spineless non-executives are con-
> stantly cowed into submission." (P. 16)

Our dicussion of this data, and of other data in the thesis, makes it
clear that this is by no means an accurate characterisation of the man-
ner in which power issues are resolved in boardroom situations. The
theory of power to which the non-executive director characteristically
holds is that power is exercised, but with discretion. The non-executive
director has the clear knowledge that there are located within the
boardroom people, usually the chairman and/or the chief executive, upon
whom it is worth exercising influence, but we have seen that this influ-
ence is often exercised in 'back-stage' settings, and that consensus is

preserved for the 'front-stage' presentation. This is located in the non-executive directors theory of the exercise of power - within - responsibility; that is, for 'front-stage' disagreements to be made manifest and to attract media attention may be to display lack of confidence in the organisation to the 'world', it may involve loss of confidence in the organisation by the world, and may thus be seen as an act of last resort. Thus we would by no means wish to depict the discretion of the non-executive director as a manifestation of spinelessness; rather it represents what are seen by members as the utilisation of social skills in securing agreements. Obviously there can be occasions where the exercise of these skills is not sufficient, where disagreements are expressed in the context of the board meeting. Again, the theory of power of the non-executive director would often suggest that such confrontations are 'amicable', that the ability to 'disagree amicably' is important to role performance, since this is seen as a more effective way of securing agreement. The non-executive directors view of power would necessarily cover potential areas for 'abrasive' disagreement, but these are seen as being extremely rare, and generally as 'resigning issues'.

In the above discussion we have located, briefly, three interrelated areas in which this thesis generates discussion of a more general sociological nature. We have mentioned theories of role, specifically the concept of marginality and theories of social competence, and theories of power and influence, with special emphasis on the interactional aspects of role. Central to this discussion is the proposition that, amongst many other aspects of life, these are issues about which the non-executive directors themselves theorise.

Thus, when we have suggested that non-executive directors have a 'theory

of being a non-executive director', what we are suggesting is that they

do not respond blindly to the stimuli confronting them, but rather

(Kolb 1974 p.28) they are able to reflect on concrete experiences that

confront them, to theorise about those experiences, and to determine

their method of response. They may respond to a familiar situation in

a familiar manner, or they may, on occasion produce what is, for them,

a novel response, with an awareness that novelty in behaviour carries

with it potential favourable and unfavourable consequences.

The model on page 230 is an attempt to present specific features con-

tained in the 'theory of being a non-executive director'. The central

box refers to core identity issues as perceived by the role occupant.

They are also related to theoretical issues that are of interest to the

sociologist. Such theoretical issues become practical issues for the

role occupant because the nature of his role performance is dependent

on the nature of his theorising about it.

The outer items suggest areas of personal and situational awareness

which will be of importance to the non-executive director. He must

identify, interpret and determine his response to many different con-

tingencies. The variation of such contingencies will be a factor in

determining variation of role performance, and we have seen from the

data ways in which non-executive directors arrive at very different,

although equally acceptable, explanations of the roles they play.

It cannot be stressed too strongly that:

a) The model is only intended as an example of the sort of theorising,

and the sort of contingencies that might relate to role performance of

the non-executive director. There may be other concerns not included

in the model; some of the items included may not be relevant to an ind-

Awareness of interests
of others — why is the
non-executive director
appointed?

Awareness of
structural
constraints/advantages.

Awareness of the
'unique culture'
of the board.

KEY ISSUES

Awareness of
need to cope
with low level
of contact with
the organisation
(perceived
marginality).

What is the nature of my role?
What are the criteria for its
competent performance?
What relationships are most
crucial for competence?
Can I exercise power/influence?
Do I want to?
How do I go about it?

Awareness of
the nature,
creation and
maintenance
of adequate
relationships
with all other
board members.

Awareness of necessity
for socialisation into
'culture' of the board.

Awareness of necessity
for 'perceived competence'
on each different board.

Awareness of necessity
for successful maintenance/
renegotiation of role once
socialised into it.

Awareness of competence
in enabling 'bad news'
to be listened to.

ividual non-executive director at certain times or in certain situations.

b) The model is not necessarily couched in the language the non-executive director himself might use. Although the components within the model are derived from the data they represent in sociologist's interpretation of that data.

c) Many of the items included (and other items not included) may be to the non-executive director 'taken for granted', embedded in routines, obvious for all to see, etc., yet they are matters which the non-executive director can bring to the level of conscious consideration when a situation demands this.

Concluding Remarks

At the beginning of the research a decision was made to use an interactionist approach to role theory, taking into account the perceptions of members and relevant others in the building up of roles through a process of interaction.

The research may have ommitted certain features of importance to members, for instance, the question of company law reform, the impact of the Bullock Committee report on industry, the issue of audit committees, and so on. What has been focussed upon is: given what they, the non-executive directors, see as their present situation, what are the ways in which they perceive themselves, and others, as competent role performers, able to conduct realistic, useful business with full-time executive directors?

What has been attempted is to demonstrate that this management of the role is achieved by having recourse to prescriptions and ad hoc theories that emerge out of their own experience of organisational life, rather

than by rigid adherence to 'external' theories of competent role per-

formance as defined by textbooks or academics.

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