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English Summary

Chapter 1: The introduction of corporate governance in the Dutch financial sector

*We read about it in newspapers, see it on television and talk about it during birthday parties, but do we really know what it means to work every day as an executive at an organization in the financial sector?*

This dissertation tells stories about corporate governance from actors in and around the board of governance in the financial sector. After an extensive introduction to this research theme, Chapter 1 begins by making a distinction between objective and subjective corporate governance. This approach to corporate governance, which focuses on the number of incidents, can be referred to as the objective approach (Duijnhoven, 2010). A striking aspect of this approach is that rules, competencies, duties and responsibilities are considered as principles for good corporate governance. A question that periodically arises in the context of the objective corporate governance is whether laws, regulations and codes help to prevent fraud and accounting scandals. In accordance with the notion of Duijnhoven (2010), I refer to this attention to more implicit aspects as the subjective approach. The present study focused on the subjective approach to corporate governance of the executives, members of supervisory boards, works councils, employers associations, shareholder associations and other actors in and around corporate governance. Current developments and a historical overview of corporate governance show that corporate governance today is not only more about the shareholder and the owner, but also other stakeholders such as employees, advocacy groups, media and society. In addition, corporate governance is no longer limited to the economic distribution of profits, but also involves laws and regulations, ethics and corporate social responsibility. Within this broad concept of corporate governance, in which many actors and themes play a role, there are also various tensions.
The theoretical background to the tensions of corporate governance can best be explained by referring to Table 1.2. In theory, corporate governance can be roughly divided into three categories: the shareholder, the stakeholder and the community state welfare dimension (Waldman et al., 2006). In addition, two types of approaches can be used: instrumental and normative (Donaldson & Preston, 1995). In the instrumental approach, shareholders, stakeholders and the community welfare dimension are defined as individuals or groups that provide an important contribution to the continued existence of the enterprise (Donaldson & Preston, 1995). Janssen (1998) referred to target-utility ethics or utilitarianism, in which efficiency thinking is dominant. In the normative approach, corporate management not only has to deal with financial values, but also with intrinsic values (Donaldson and Preston, 1995). In this section it becomes clear that the theoretical tensions of corporate governance link up with the view of the de World Bank, which stated that corporate governance aims to ensure a balance between economic and social goals and between individual and communal goals, (Sir Adrian Cadbury at the Global Corporate Governance Forum, World Bank, 2000). When a study focuses on how actors give shape to the tensions within corporate governance, then particular focus is required on how people in everyday life talk about and cope with tensions that are related to corporate governance. This means that if one wants to know more about how people give shape to corporate governance, then one is compelled to delve into how people in everyday life make sense of this concept. Building on this approach, the following research question is central in this study:

**How do actors in and around the board of governance in the financial sector make sense of the tensions in corporate governance and how does this manifest itself in practice at a bank and a pension fund?**

**Chapter 2: Making sense of corporate governance**

In the second chapter, the first research question is answered: “How is the concept of sensemaking of tensions in corporate governance
operationalized in the literature?”. This study began from a cultural dimension of corporate governance. It is therefore not surprising that the study, the research object and the methodology all have an anthropological starting point. In the present study, corporate governance is not viewed as a static concept, but as a dynamic one: people interact and exchange meanings about corporate governance, and they create the effective corporate management themselves. According to Weick (2005), the process of sensemaking does not involve an accurate and verifiable answer, but a plausible argument. The researcher must empathize with the sensemaking of the actor, and place herself in the role and the mindset of the subject. In this context, Veenswijk (1996) referred to shared signification frameworks and value orientations. Berger and Luckmann (1966) introduced the term social construction for this process. They assumed that the world is essentially meaningless, and is given meaning only by the observer. In other words, reality is a construction that takes place in a social context. One way to examine how language constitutes a social reality is by doing discourse analysis. Roughly speaking, there are two approaches to discourse analysis: the linguistic approach and the narrative approach. The linguistic approach was inspired by De Saussure (1966), Wittgenstein (1976), Derrida (1967, 1972) and Chomsky (1957), and is closely related to linguistic theory. Adherents of the narrative approach, such as Barthes (1957), Boje (1991), Burke (1969), Czarniawska (1998), Frye (1959), Gabriel (2000) and Gergen (1999), are not concerned with how people create meanings, as in the linguistic approach, but what they do with meanings: causing change and stopping change in textual, real-world and social contexts. However, the boundary between the linguistic and narrative approach is not clearly demarcated (Pijnenburg, 2004:31), and the approaches do not exclude each other. Nevertheless, it should be noted that in this study, following the example of Alvesson & Karreman (2000), Chia, (2000) Grant et al. (2004) Grant and Iedema (2005), Hardy et al. (2000), Keenoy et al. (2000) and Oswick et al. (2000), the narrative approach is emphasized.
The choice of the narrative approach to corporate governance in the present study has certain implications. A conceptual framework is needed to better understand the practices of corporate governance. The conceptual framework of this study is based on two pillars that are linked to each other in the conceptual framework. The first pillar consists of the narrative lens, which is characterized by stories and narratives. These stories provide the data for the analysis, but more importantly they form the core of the theoretical part of the study. In this study, the grand narratives, variants and counter narratives of corporate governance provide the means to look at how actors in and around the board of governance make sense of corporate governance and the tensions that play a role in this process. The second pillar, which helps to elucidate the sensemaking and sensegiving of corporate governance, is the use of three narrative concepts: the worldview, institutional framework and mode of practice. To operationalize the narrative concepts, the concept of ideal types was used. By using ideal types, researchers can map out the tensions and provide a theoretical yardstick. In this way, the narrative concept of the worldview was operationalized using the ideal-typical Newtonian worldview and the ideal-typical holistic worldview. For the narrative concept of the institutional framework, the ideal type involved the regulatory, cognitive and normative characteristics of institutions (Scott, 2001: 33 and Table 2.3.1). And the mode of practice was operationalized based on the ideas of Habermas, in which he made a distinction between two ideal types (Section 2.3.1) of responsible action: strategic action in the systems world and communicative action in the lifeworld. By linking the three types of stories to the narrative concepts, a narrative table is created which serves as a theoretical point of departure for the analysis (Figure 2.4).

Chapter 3: Research methodology

In this chapter, the philosophical and methodological considerations of this study are outlined. Ontology is the first philosophical standpoint from which to view science. If the description of the three positions of ontology is related to the central topics of this study – sensemaking,
sensegiving and interaction– then it becomes clear that idealism is the most suitable ontological position from which to view reality. The ontological assumptions are closely related to the epistemological assumptions. The social constructivist perspective of the present study has a direct link with interpretivism. The supporters of the interpretative approach share an appreciation for the role of language. This focus on language also increases the interest in the narrative perspective by the supporters of the interpretative approach. This study is qualitative in nature in accordance with idealism and interpretivism as philosophical standpoints. To understand how executives interpret and make sense of corporate governance, an organizational anthropology approach was chosen. In contrast to many other scientific disciplines, organizational anthropology pays much attention to history, context and processes (Bate, 1997). Besides its holistic viewpoint, anthropology has two ways of looking at reality: from an emic and etic perspective (Martin, 2002). During the various steps of the research process (Table 3.2) for this study, both the emic and the etic perspective were used. The researcher argues that there could never be a completely insider or outsider perspective in research. There is entanglement, but both perspectives can be present at the same time. Furthermore, in this study the principles of the Code of Conduct of the Association of Dutch Universities such as precision, reliability, verifiability, impartiality and independence applied (VSNU, 2012).

The ontological and epistemological standpoint and the organizational anthropology approach had consequences for the research methodology. This study into the sensemaking of areas of tension in corporate governance takes a organizational anthropology approach and is therefore explorational-qualitative in character. It is about identifying the guiding principles of corporate governance and improving the understanding of the reality construction about corporate governance. The fieldwork was split into two phases. The first phase was an explorative context study, and the second phase consisted of two case studies: BPF and Florabank. Both phases were conducted largely in parallel between March 2007 and August 2011. The context study was
exploratory in nature; its aim was to acquire knowledge and understanding of the sensemaking about corporate governance in the financial sector. The following research methods were used to conduct the context study: interviews, observations and documentary analysis. Phase two of the field research focused on the executives and actors in and around the board of governance in a specific organizational context. In view of the importance of the context in social constructivist research, a case study approach was chosen. Two data collection methods were used for the case studies: in-depth interviews and documentary analysis. These methods are explained in more detail below. To structure both the context study and the case study, Creswell’s (2006) six steps for analyzing and interpreting qualitative data were used.

Sketches of the context of the financial sector: a brief overview
This section sketches the context which surrounds both casestudies. Financial crisis, greed and bonus culture are key words of this discursive context and a brief discussion of them serves to introduce the case studies (BPF and Florabank).

Chapter 4: BPF
This chapter presents the case study of BPF, a sector-wide pension fund, with the aim of answering the second research question: “how do actors in and around the boards of governance of BPF and Florabank deal with tensions within corporate governance”? The findings of this case study are presented in this chapter with the aid of logic. Three types of logic can be distinguished: the logic of the agent, of the institute and of practice. These three types of logic can be considered as three separate concepts that can be given shape based on quotations from the interviews or narratives from the case study. In Section 4.1 the logic of the key players or the actors is addressed. Although the actors in and around the board of governance were diverse, it turned out that they were all representatives of a constituency or organization, and they oriented their thinking accordingly. And due to their education in economics or law and their background, they thought in a utility-oriented
and rational fashion. The results show that all respondents saw corporate governance as rules and regulations. From the findings it is also evident that the actors and around the board of governance experienced pressure and uncertainty due to the financial crisis, credit crisis and banking crisis but in particular by the crisis of trust. Section 4.2 focuses on the logic of the institute. Based on the narratives about the initial values, the organizational model, the authority and the management methods, it is clear which written and unwritten rules are important in the organization. The following rules of thumb can be found in the narratives: you must be faithful to your constituency, the executive board has the final decision, and you must play the formal role that you are expected to play. These rules can also be described as the institutional logic. Section 4.3 shows that narratives about practice can be used to understand that people in practice are faced with various types of logic, which are in conflict with each other. The narrative about the dual roles shows, for example, that you not only must be faithful to your constituency, but that you must also fulfill the collective mandate (the formal role). And the tension in the grey area of rules and regulations and in the interaction with the DNB shows that there is room for action within the areas of tension.

**Chapter 5: Florabank**

Like the previous chapter, this chapter also answers the second research question, and it presents the findings of the Florabank case study with the aid of various types of logic. The aim is not to compare the case studies, but to gain insight into the sensemaking about corporate governance. The topics in the various sections are therefore not identical to the topics in the previous chapter. However, like the previous chapter, the three types of logic –actor logic, institutional logic and logic of practice– are used to explain the narratives from the case studies. Section 5.1 focuses on the logic of the actors. The respondents from Florabank can be characterized as a homogeneous group consisting of middle-aged Dutch males with backgrounds in economics or law. The men hold ancillary positions in foundations and associations in the area
of sustainability or which are in line with the original philosophy of the Florabank. This background reflects the rational and utility-oriented thinking, but also the involvement with the ideals of the bank. Furthermore, Section 5.1 shows that the history of the founding of the bank appears to play an important role even today. In particular, the involvement with respect to the sustainable character and original philosophy of the bank characterize the organization. This affinity with sustainability can also be seen in the CEO. Besides being an idealist, the CEO is also a pioneer and a visionary. He is accustomed to working in a solution-oriented fashion, and in his narratives about how he thinks about management, the logic of thinking in terms of control is dominant. Section 5.2 focuses on the logic of the institute. Based on narratives about rules and regulation, culture, bylaws, authority and informal structures, it becomes clear which rules of thumb are important in the organization. Although this is not mandatory, the actors complied with the rules and regulations, but they felt that this is how it should be. The bylaws ensure that actors in and around the board of governance of Florabank understand their statutory roles and what is expected of them. Besides formal rules, there is also an informal world within Florabank. In this informal world, the CEO plays a directing and controlling role. Another important unwritten rule is that you must feel connected to the mission of the bank. Section 5.3 shows that narratives about practice can be used to understand that people in practice are faced with various types of logic, which are in conflict with each other. The narrative about the criticism of rules and regulations shows, for example, that the respondents experience the implementation of rules and regulations as very burdensome. The respondents indicated that they look for the grey areas in the rules and regulations. The narrative about informality and formality shows that there is space to choose how one acts, but that one is simultaneously held captive in the system of informal and formal rules. The last story about the balance between ideals shows that actors have different ideas about the implementation of their ideals. These different views provide tension.
Chapter 6: A narrative analysis

This chapter presents the analysis of this study. The starting point for this analysis was the narrative table in the chapter on theory (Table 2.4). This narrative table was filled in by zooming in on the text and zooming out on the environment, and by linking the micro and macro levels with each other (Fairclough, 1992). The findings from the case studies have shown that this can be described as a narrative soup (Boje, 2001). Three basic narratives about corporate governance can be distinguished: corporate governance is complying with rules and regulations (Section 6.1.1), corporate governance is attaching value to written rules (Section 6.1.2), and corporate governance is maintaining a balance between various interests (Section 6.1.3).

This study has shown that the tensions in corporate governance occur in three ways.

First there is tension between the grand narratives and the counter narratives (Section 6.2.1). In the first narrative, although people want to comply with the rules and regulations, they simultaneously have to deal with practical considerations that sometimes make this impossible, and with the fact that they are operating a company or organization and are held to account for the financial results. In the second narrative on corporate governance, the tension is between the formal and informal worlds. And in the third basic narrative, people act on one side to maintain a balance between the various interests, and the other side they pursue the collective interest (BPF) or the organizational interest (Florabank). Based on the examples from the case studies, the tensions are explained.

Second, there is a diversity of tensions between the individual, organizational and societal levels of corporate governance (Section 6.2.2). One example of tension between the individual and organizational level is the conflict about the practical feasibility of the bank's ideals. An internal discussion took place within the bank about how the ideals should be given shape in practice. In Section 5.3.4, it is shown how this can lead to tensions. Section 4.3.5 also shows how the tension between
the organizational and social levels of corporate governance influence the actions within an organization. Due to pressure from the media and from the societal debate on investing in cluster munitions, both DPF and Florabank revised their investment policies.

Third, the analysis showed that there are tensions within and between the narrative concepts. In Section 6.2.1 it becomes clear that the Newtonian worldview is dominant among actors in and around the board governance at both BPF and Florabank. Personality traits also turned out to be decisive for actions in and around the board governance. For example, the personality traits of the CEO have consequences for these actions. Moreover, the neoliberal context of this era can be determinative for the worldview. Notably, the interviews at both BPF and Florabank showed that developments were ongoing which could not be dealt with by the Newtonian worldview. One example is how the actors deal with journalists and freethinkers who are important opinion leaders in the societal debate. From Section 6.2.2, it emerged that the regulative and cultural-cognitive anchors are dominant. The historical narratives turned out to play a major role in this respect. It is striking that the normative anchors played a subordinate role. The regulative, cultural-cognitive and normative anchors showed that habits, morals and interests –as unintended side effects– also produce and transform unequal relationships. Section 6.2.3 makes it clear that both strategic and communicative action took place at BPF and Florabank. From both case studies it emerged that communicative action resulted in positive experiences for executives as well as other actors. The study also revealed that the personality traits of the members and the composition of the board determine the choice for communicative or strategic action.

The third research question “Which explanatory factors can be identified in and around the boards of governance in the financial sector that elucidate the tensions in corporate governance?” is also answered in this chapter. Three factors emerged from the analysis that can explain the areas of tension within corporate governance: scene, space for improvisation and conflicting plotlines (Section 6.3).
Chapter 7: Conclusions

The general conclusion of this study is that the tensions in corporate governance involve the search for a balance of power. This is consistent with the assertion of Cools (2005) that corporate governance is about the balance of power. This general conclusion can be explained in three ways. Firstly, the analysis showed that the tensions between the grand narratives and the counter narratives always involve conflicting interests and double roles. Secondly, in corporate governance there are tensions between the individual and organizational level and the societal and organizational level. The study also showed that there is a gap between this everyday practice and the individual and society, in which there is a power struggle between economic and social values. And thirdly, the actors in and around the board of governance in both case studies were confronted with a new era characterized by power shifts in which people struggled with concepts such as democracy and internationalization.

The contribution of this study to theory lies in its narrative approach. This narrative approach contributed to the insights on corporate governance and showed that corporate governance is a broad, dynamic, complex and powerful concept. The narrative model about being, valuing and acting (Figure 2.3) showed how the practice of corporate governance can be viewed from the perspective of theory. Furthermore, this study has provided a conceptual framework which could potentially be used to perform future research. A number of theoretical insights also emerged from the study, such as the explanatory factors for the tensions in corporate governance. The study contributes to practice at three levels: the individual, the organizational and the societal. These practical insights are presented in Section 7.2.

The final section of the study closes with a number of reflections and predictions about the concept of corporate governance. This study shows that the concept of corporate governance is not only seen as an answer to the problems of the financial sector, but also that this concept goes astray in the boardroom: the board members make mistakes about the path they must take. They commit a wrong deed or cherish an incorrect thought, while believing they are acting correctly. Corporate
governance thus appears to be more of a narrative-based reinforcement of the problems than an effective solution.

One of the main reasons this happens is that all of the narratives showed that corporate governance is almost always viewed instrumentally and rarely from a normative approach. This could be explained with the term *bounded morality* (Beitz, 1979; Torsello, 2015). A second closing thought is that this study has shown that rules and regulations are only part of the solution, but that there is also space for the actors in and around the boards of governance. The observation that rules and regulations do not always help organizations towards proper behavior led me to the thought that the moral perspective is also lacking here. This observation is not new in the social sciences. Acker (2006), a gender studies scientist, previously used the term inequality regimes to describe how interlocked practices and processes result in continuing inequalities in all work organizations.

My final closing thought concerns the question, what is the future of corporate governance? Answering this question is not a simple task. For this purpose, I used two visions. The first vision is based on the writing of the philosopher of science Thomas Kuhn. Kuhn (1962) is convinced that change occurs through sudden paradigm shifts, i.e. changes in worldview. The existing worldview will be replaced because the corresponding generation of executives will die, and new worldviews will emerge with new generations of executives. Contrasting with the vision of Kuhn is another vision in which people can actually make a difference. Two examples are the change management model of Lewin (1951) and the 8-step model of Kotter (1996). The underlying vision is that practitioners can learn from good experiences, and abandon other experiences in favour of better ones, which leads to changing practices. The study made one thing clear: both of the above narratives are credible. Moreover, although the opinions and ideas about change differ, in both narratives a change within corporate governance does take place. Notably, however, in both narratives there is no urgency for change. Even today it seems that no real urgency for change is felt or experienced. The lack of a moral perspective could possibly play a role here as well.
According to the researcher, corporate governance must be viewed from a broader perspective. The Newtonian worldview will shift to the broader perspective of the holistic worldview. Actors must view corporate governance from the perspective of the individual and the environment (being). When changes occur, such as investing in cluster bombs no longer being socially acceptable, one must consider not only cluster bombs but also (more broadly) other things that may not be accepted in the future, such as investing in fossil fuels.

In the institutional framework, the emphasis should not be on narrow regulatory characteristics such as stringent laws and regulations, but should be placed in a broader perspective. Actors in and around the boards or governance will have to pay more attention to cultural aspects. They should reflect on the present tensions and then initiate a discussion on the established structures for interaction, behaviour and control. A notable finding in this study is that many tensions surrounding corporate governance actually involve the lack of attention to normative characteristics. Within organizations, people should more frequently ask themselves essential questions, such as how is the function of the organization interpreted? How are the moral and philosophical guidelines for the implementation and management of the organization interpreted? Are the social values such as freedom and the foundation of self-esteem applied to everyone? Is there agreement between the values propagated by the executive board and the values of society?

Moreover, the mode of practice for actors in and around the boards of governance calls for a broader perspective: reflection on action. I close with a reflection. What would happen if actors no longer assumed that the executive board is responsible for the results of an organization, but instead held the executive board accountable for the process in which consensus is important? According to the researcher, this new approach would mean viewing things more from a broader perspective in which moral thinking, and not just instrumental thinking, receives more attention.
There will always be tensions in the future and these may even increase, but by viewing corporate governance from a broader perspective, actors in and around the boards of governance will be better equipped to deal with Tensions in the boardroom.