Governance of Sustained Value Creation in Large Scale Organisations

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Dissertation submitted to
La Trobe Business School
La Trobe University, Victoria, Australia

In total fulfilment of the requirements of the degree of
Doctor of Philosophy

April 2020

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This work was supported by an Australian Government Research Training Program Scholarship.

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7th April 2020

Abstract

This research examines the links between corporate governance and sustained value creation in large scale organisations. The study takes an exploratory approach to identify what directors perceive as relevant in their governance of sustained value creation within increasingly complex operating environments. This approach responds to concerns that prior research lacked practical insights and a coherent understanding of the causal relationships between and amongst the factors underpinning effective governance systems. It responds to calls for integrated multi-discipline research that looks beyond external characteristics to consider processes, practices and bundles of complementary mechanisms and their integrated contribution in corporate governance practice. Semi-structured interviews were conducted with 55 directors from a cross-section of organisations. This included directors from nine of the ten largest ASX listed companies by market capitalisation, seven of these with the chair. Transcriptions were analysed with the assistance of thematic analysis software. Data-driven thematic coding was used in producing an integrated and multi-disciplinary analysis. The findings of this thesis identify several issues that advance our understanding of governance and sustained value creation. Key factors identified include: (a) the board's understanding of its role and fiduciary responsibility; (b) the board's understanding of value; (c) the board's understanding of how value is created; (d) the board's understanding of relevant management practices and controls; and (e) the board's procurement of sufficient fit-for-purpose governance frameworks that enable it to govern effectively.

Dedication

In memory of my father who showed me the way to independent thought, meaningful action and a life well lived.

Acknowledgements

I thank my supervisors, Dr Geoff Dickson and Dr Anjum Chaudhry.

Thanks also to my participants. You personify the pursuit of life-long learning, self-challenge and the quest for new ideas. Your stories are the cornerstone of my research.

And, inexpressible thanks to my wife Sharon and daughter Ella for their love and support which has enabled me to complete this work and so much more.

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CHAPTER 1

1. Chapter One: Introduction

1.1. Introduction

This thesis improves our understanding of the links between corporate governance and sustained value creation. The study takes an exploratory approach to source and analyse directors' perceptions of what is relevant, as they strive to govern sustained value creation within increasingly complex business environments.

Semi-structured interviews sourced extensive contributions from 55 senior governance practitioners including directors across nine of the top 10 companies listed on the ASX, seven at chair. In total 58 hours of recorded interviews, produced over 500,000 words of transcription that were analysed with the assistance of thematic analysis software.

A data-driven thematic coding of the transcriptions produced an improved understanding of the director's perceptions of what is required to govern sustained value creation. In this way, the thesis delivers a qualitative, process-focused investigation recommended by prior research.

The findings of this thesis advance our knowledge and understanding of governance and sustained value creation. As such, the study provides a platform for further research which may advance the development of the long-sought-after unified model of governance.

1.2. Research Aims and Objectives

This study was motivated by a desire to find a new perspective from which the complexities of governance and sustained value creation might be better understood. It was hoped that academic investigation might identify, describe, and structure common themes about what really mattered to directors, and develop knowledge that improved practical guidelines.

This initial motivation, aided by investigation and reflection (Agee, 2009) led to this research aim:

> To better understand the governance of sustained value creation.

A review of the extensive corporate governance literature found no central unifying theory (Crow & Lockhart, 2014; Tricker, 2009), and that the literature lacked a focus on practical insights, causal relationships and links to performance (Ford & Rooney, 2016; Zattoni & Pugliese, 2019). The review also identified encouragement to find new approaches. (Aguilera, Florackis, & Kim, 2016; McNulty, Zattoni, & Douglas, 2013).

This study did not set out to provide this new approach. Rather, it sought to advance this agenda through a focus on sustained value creation. Given these parameters, the following objectives guided this research:

1. To understand director perceptions of fiduciary duty and their role in sustained value creation.
2. To understand director perceptions of value.
3. To understand director perceptions of the factors of value creation.
4. To understand director perceptions of practices and controls for value creation.
5. To understand director perceptions of the board's capacity to direct sustained value creation.

Realistic limitations of research design mean the objectives of this study do not include identifying a comprehensive list of important concepts, or proposing that the structure developed for the analysis is the only interpretation. And, the study cannot do more than tentatively suggest that the findings may provide part of the puzzle that is a new theory of corporate governance.

1.3. **Significance of the Research**

Exploratory research improving our understanding of the link between governance and sustained value creation in large scale organisations is important for its practical and research impact. Corporate governance serves at the heart of global responses to economic, social and environmental sustainability issues. Yet, our understanding of governance has been criticised for its lack of focus on practical insights and causal relationships (Ford & Rooney, 2016) and a lack of clear understanding of the factors that make a governance system effective (Larcker & Tayan, 2019).

This research is undertaken within the context of unprecedented public awareness of governance and the impacts of its deficiencies. Public expectations, technology opportunities, sustainability concerns, and risk, are all increasing in what the World Economic Forum considers to be the Fourth Industrial Revolution (Philbeck & Davis, 2018). Yet, despite a global increase in governance focused regulation, principle-based guidance, and a growing body of governance research, governance models struggle to provide sufficient, clear and actionable explanation of causality in both theory and practice (Chai-Aun, Hooy, & Zulkafli, 2016; Cuomo, Mallin, & Zattoni, 2016).

Commonly observed deficiencies in corporate governance are linked to a wide range of societal ills. These include corporate collapses, ethical failings, climate change and failures to respond to same, and deficits in institutional trust, equity, sustainability, environmental stewardship (Carver, 2011; Garratt, 2017; Tricker, 2012). These issues have featured in highly publicised public inquiries across many western economies (Berger, Imbierowicz, & Rauch, 2016; Haynes, Zattoni, Boyd, & Minichilli, 2019; McNulty, Roberts, & Stiles, 2005). At the same time, organisations are increasingly expected to deliver a complex variety of financial and non-financial value outcomes amongst a backdrop of emerging risks, threats and disruptions (Khlif, Clarke, Karoui, Seny Kan, & Ingley, 2019).

Senior national leaders, including Australia's Federal Treasurer (Frydenberg, 2019) and the French Minister of the Economy and Finance (UN Principles for Responsible Investment, 2019) link corporate leadership and decision-making capacity to national issues. They, and others, link enhanced governance capabilities to the sustainability of national economies, wage growth, environment and capitalist democratic systems (Polman & de Rothschild, 2014). They recognise corporate governance linking to economic performance, productivity, the effective use of capital, the ability to make effective use of available technology and innovation. They identify governance as the driver of growth strategies and long-term success, where some high-performance organisations are materially out-performing the majority.

Significant responses to systemic challenges are emerging from regulators, exchanges, and global institutions representing networks of investors and firms across a variety of disciplines (Clarke, 2019). However, even as practitioners complain of framework overload, these initiatives have not yet identified or modelled behaviours sufficient for long-term sustainable success. They have not yet identified the differentiator between the materially leading organisations and the rest. Rather, it has been lamented that "many directors and boards struggle to understand the multiple and inter-related challenges, opportunities, and events of our contemporary world" (Coulson-Thomas, 2019, p. 1).

All-encompassing theories, models and frameworks explaining corporate governance are missing (Aguilera et al., 2016), when it comes to identifying causality. Recent attempts to find new approaches have largely been unsuccessful (Ford & Rooney, 2016). And it has been identified that even frequently used terms such as good governance, board oversight, performance-related pay and sustainability lack common definition and understanding (Larcker & Tayan, 2019). This leads to the question "Have we reached the limits of the ability of our current approaches to corporate governance, unless new models and practices are identified, developed and adopted?" (Coulson-Thomas, 2019, p. 1).

This research responds to Ford and Rooney (2016, p. 13) recommendation that "In light of the mixed and contradictory results regarding the literature on corporate governance and organisation performance, we believe that corporate governance research needs to look beyond a list of ideal characteristics or results to consider, amongst other explanations, corporate governance processes and practices".

This research is important because of what is revealed in its findings, and in its demonstration of how an integrated multi-disciplinary investigation into corporate governance processes and practices can be achieved. If this exploratory contribution to knowledge opens the door to further research, and the development of models bringing practical insights and causal relationships for the effective governance of sustained value creation, it will prove to be of global importance.

1.4. Research Questions

This thesis explores the link between corporate governance and sustained value creation. This is achieved through a series of interrelated studies which explore director's perceptions of various aspects that contribute to their ability to govern sustained value creation.

Across five studies, the research utilises an integrated and multidisciplinary approach to defining, delivering and governing purposeful sustained value creation. Study One looks at different aspects of the board's fiduciary duty and role concerning purposeful sustained value creation. Study Two explores the complexities of the meaning of value and how the achievement of the purpose described as value and values can be described and measured. Study Three explores the activity that is involved in achieving value creation, whilst Study Four explores the practices and controls that allow it to be managed and governed. Study Five explores the board's capacity to direct this activity towards optimised achievement of defined objectives.

The five studies are characterised (paraphrased) in Table 1 below.

Table 1.1. Paraphrased description of the five studies.

SUSTAINED VALUE CREATION INVESTIGATION **Paraphrased Subject**	**VALIDATION** **Do directors know…**
What is the board's role and fiduciary responsibility?	…what is important?
What is value?	…their goals?
What is important to creating value?	…how it is done well?
What practices and controls enable management?	…how it is managed?
What enables the board to direct effectively?	…how to direct it?

In the following five subsections, each of the five studies is briefly introduced.

1.4.1. Study One: Exploring director perceptions of fiduciary duty and their role in sustained value creation

This study explores how directors understand the intention, expectations and purpose of their role in relation to value creation. The director's role is far from prescribed. Decisions as to which voices directors should respond to need to be deliberatively made. This is made more difficult by increased regulation, frameworks and guidance, the range of emerging board issues, increased public scrutiny and diminished trust, disruption and other concerns. Study One is therefore guided by this research question:

> RQ1: How do directors perceive fiduciary duty and their role in the context of sustained value creation?

The data suggests that directors are likely to consider: (a) their fiduciary duty and the role of the board; (b) the optimised stewardship of assets; (c) the optimised creation of value; (d) the optimisation of risk opportunity and new challenges; (e) sustained value versus short-termism; (f) various exogenous pressures; (g) the constraints of the influence that a board can exert in practices; (h) their role in assurance; and (i) CEO selection, remuneration, incentives and culture.

1.4.2. Study Two: Exploring director perceptions of value

This study explores how directors understand value. A singular focus on short-term financial value and short-term share-price movements is no longer considered sufficient (Fried & Wang, 2019; Oldham, 2019). Sustained value, sustainable business behaviours and addressing a range of environmental sustainability issues are amongst a range of considerations in an organisation's pursuit of a wide range of non-financial outcomes. The various ways in which directors understand value in their context is important to an overall understanding of governance. Thus, Study Two is guided by this research question:

RQ2: How do directors perceive value?

The data suggests that directors understood a variety of perspectives on value within the context of their responsibilities for sustained value creation. In particular, the findings demonstrate that directors considered value in terms of: (a) multiple stakeholder perspectives; (b) financial and non-financial outcomes; (c) social outcomes; (d) the development of value and certainty over time; and (e) the value of organisational values and ethics.

1.4.3. Study Three: Exploring director perceptions of the factors of value creation

Study Three explores directors' understanding of how value is created in their organisations. Value is no longer created in the same way that it was in a purely industrial era. Value creation practices are different as a result of various factors including participation in the knowledge and digital economy, corporate cultures, speed of change, complexity and uncertainty, and other factors. What is important is that directors understand the factors involved in value creation so that value creation practices are engaged and embedded within their governance thinking. Study Three is therefore guided by this research question:

RQ3: How do directors perceive the factors contributing to value creation?

The findings suggest that directors understood a variety of factors at play in their organisations that contribute to achieving sustained value creation. In particular, the findings demonstrate that directors appreciated: (a) opportunities emerging in both the knowledge and digital economies; (b) the challenges of portfolio proliferation; (c) the importance of strategy and strategic agility; and (d) the contribution that arises from internal and (e) external insight and foresight.

1.4.4. Study Four: Exploring director perceptions of practices and controls for value creation

This part of the research explores directors' understanding of the practices and controls that are applicable to enable management of the value creation identified in Study Three. An organisation's value creation efforts may be misaligned, inappropriately resourced, and unable to be governed if fit-for-purpose management practices and controls are not in place. Financial governance, as assessed by audit, can be considered as the effective implementation of appropriate financial practices and controls. Directors' reporting of their perception of the availability and importance of practices and controls identified a potentially foundational concept studied in this research. Study Four is therefore guided by the key research question:

> RQ4: How do directors perceive the practices and controls of effective value creation?

The data suggests that directors recognised various disciplines, practices and controls that were associated with the management of effective and sustained value creation. In particular, the findings demonstrate that directors understand: (a) that governance can assist or hinder innovation; (b) that there are practices that assist in engaging with uncertainty; (c) the value of integrating multi-discipline contributions to knowledge; (d) the value of visualisations and data representation; and (e) the value of developing shared insight leading to improved delegation and the activation of aligned action from staff and others.

1.4.5. Study Five: Exploring director perceptions of the board's capacity to direct sustained value creation

This study explores directors' understanding of the board's capacity to direct sustained value creation. To address the issues identified in the previous four studies, directors need to have an awareness of the availability, value and applicability of fit-for-purpose tools and practices, and of their responsibilities and capacity to procure enhanced practices where they are needed. Study Five is therefore guided by this research question:

> RQ5: How do directors perceive the board's capacity to direct sustained value creation?

Analysis of the data suggests that directors recognised various aspects and disciplines of governance that were associated with their ability to effectively direct sustained value creation. In particular, the findings demonstrate that directors recognised the impact of: (a) sharing a clear understanding of purpose; (b) being able to assure multi-bottom-line and future outcomes; (c) having access to insight and foresight in complexity; (d) being able to optimise investment effort and focus of their organisations; (e) the allocation of the board's own priority focus time and agenda; and (f) the board's accountability to set and operate an assurable governance framework.

1.4.6. Summary of objectives and research questions

Considered collectively, these five integrated multi-disciplinary studies produced the thirty findings listed above. These findings, and the layered relationships between and amongst the five studies, provide thirty components that may subsequently inform an integrated multi-disciplinary model of corporate governance. An overview of the five research questions and how they fit within the overall thesis is depicted in Figure 1.1 below.

Research Aim

To better understand the governance of sustained value creation.

Study 1	Study 2	Study 3	Study 4	Study 5
Exploring director perceptions of fiduciary duty and their role in sustained value creation.	Exploring director perceptions of value.	Exploring director perceptions of the factors of value creation.	Exploring director perception of practices and controls for value creation.	Exploring director perceptions of the board's capacity to direct sustained value creation.
RQ 1	**RQ 2**	**RQ 3**	**RQ 4**	**RQ 5**
How do directors perceive fiduciary duty and their role in the context of sustained value creation?	How do directors perceive value?	How do directors perceive the factors contributing to value creation?	How do directors perceive the practices and controls of effective value creation?	How do directors perceive the board's capacity to direct sustained value creation?

SUMMARY OF KEY FINDINGS

DISCUSSION AND CONCLUSIONS

Figure 1.1. Outline of the thesis with five study areas

1.5. An Integrated, Multi-disciplinary Qualitative Approach

This thesis responds to calls for studies to utilise fresh approaches to the investigation of the links between governance and performance (Refer Section 2.4). In this response, the study utilised an integrated, multi-disciplinary qualitative approach.

This follows an integrated approach that responds to calls for layered research (Aguilera et al., 2016; Berthelot, Morris, & Morrill, 2010; Khlif et al., 2019) that should investigate the richness and depth of data available from a larger sample of different sources (Filatotchev & Wright, 2017). The term 'integrated' acknowledges that the actions and understanding of governance are layered and interactive with subjective utility based on the perspective and circumstances of the individual. The term integrated also acknowledges that the analysis, whilst layered to a thematic structure, draws perspectives from a common integrated data set. This research seeks to develop an understanding of that integrated context.

The thesis also responds to calls for a multi-disciplinary focus on internal processes, rather than the predominant focus on external measures (Ford & Rooney, 2016). It investigates the bundles of complementary mechanisms involved in corporate governance (García-Castro, Aguilera, & Ariño, 2013), acknowledging the integrated contribution of different disciplines to debate and practice, rather than investigating them one at a time (Kumar & Zattoni, 2019).

The qualitative approach used in this thesis relies on data drawn from semi-structured interviews that engaged directors in a discussion on what they think is important to them, as they strive to govern sustained value creation in the organisations they serve. Interviews with 55 senior governance practitioners including directors across nine of the top 10 companies listed on the ASX, seven at chair produced 58 hours of recorded interviews and over 500,000 words of transcription. These were analysed with the assistance of NVivo thematic analysis software to produce common themes.

1.6. **Delimitations and Assumptions**

There are several delimiting factors associated with this exploratory study exploring the link between governance and sustained value creation. Whilst the link is explored, there is no intention to go as far as proposing a new model. Proposing a model would require a different approach to the research and is beyond the scope of this study.

The study does not investigate issues of corporate structure (Elvin & Hamid, 2016), legal jurisdiction (Gerner-Beuerle, 2017), sector-specific studies, life-cycle (Habib & Hasan, 2019), strategy (Valle-Cabrera, Guerrero-Villegas, & Cuevas-Rodríguez, 2016), gender and diversity of the board (Gunawan, Murhadi, & Utami, 2019), and other commonly investigated factors. And, this research is not a comparative study between organisations. It does not seek to categorise differences across different types of organisation. Rather, this research seeks to draw out common themes reported by qualified respondents that identify new perspectives from which to investigate gaps in existing theory and knowledge.

No effort is made to quantify, or correlate organisational or director behaviours to firm performance. Whilst performance and high-performance organisations were mentioned by some participants, the research is not designed to support claims in relation to the performance impact of particular behaviours, processes or capabilities. The investigation is limited to identification of the issues that directors reported as relevant to their experiences of governing for sustained value creation.

This study is predominantly focused on Australian publicly-listed companies, and by necessity deals with a finite sample. It is highly likely that directors of other organisations, different types of organisation, and directors in other countries may have different perceptions of sustained value creation.

Finally, the research focusses on the director’s perceptions. The study is not intended to provide an analysis of the companies themselves.

1.7. **Thesis Outline**

This thesis is organised into five chapters. **Chapter One** provides an introduction. **Chapter Two** provides a comprehensive review of the relevant literature. More specifically, the chapter reviews the two research fields of corporate governance and governance for sustained value creation that provide the foundation context for the research question. These two subsections are summarised to provide a contextual basis for a review of the literature related to the research questions that follow. Each of five research questions is then supported with a review of the relevant literature looking at both the governance research perspective, and at relevant literature from multiple supporting discipline areas.

Chapter Three presents the methodology and methods used in this exploratory study. The chapter opens with a disclosure of the researcher's background and its potential impact on the study. It then describes the selection of a qualitative research approach, data collection through semi-structured interviews, and participant access, selection and characteristics. The chapter then explains how the findings are coded using data-driven thematic analysis within an integrated multi-disciplinary approach and describes how the findings are presented throughout the research. Finally, the thesis' approach to trustworthiness and ethics are discussed.

Chapter Four deals with the findings of the five research questions that underpin this study. The chapter presents an analysis of the participant interviews and provides quotes to illustrate significant points. It details the results of the exploration, to clarify the answer to each of the research questions. The chapter presents an analysis of directors' perceptions of various aspects of governance as it relates to sustained value creation.

Chapter Five discusses the main findings of each of the five studies. It provides a summary of key findings, and a discussion of the findings in terms of the prevailing literature, to identify new perspectives that give support for, challenge, or identify new ground concerning existing theories. The chapter then presents implications for theory, including a reflection on the findings as it relates to a mature precedent from another discipline. The chapter then outlines implications for practice, limitations of the sutdy, recommendations for further research, and concluding remarks.

1.8. **Chapter Summary**

Research in corporate governance has concentrated primarily on structural and behavioural approaches. There is a dearth of investigations that seek to link corporate governance to sustained value creation through an exploration of the integrated layers of management and governance frameworks that enable a board to effectively direct sustained value creation within their organisation.

This thesis explores directors' perceptions of corporate governance for sustained value creation through five studies. In this context, these integrated multi-disciplinary studies explore: (a) the board's understanding of its role and fiduciary responsibility; (b) the board's understanding of value; (c) the board's understanding of how value is created; (d) the board's understanding of relevant management and governance frameworks; and (e) what a board requires to be able to effectively direct sustained value creation in their organisations. This approach is used to provide a new perspective on the prevailing governance theories and point towards areas worthy of further investigation. The next chapter provides a comprehensive review of the literature relevant to the development of this thesis.

CHAPTER 2

2. Chapter Two: Literature Review

2.1. **Introduction**

This chapter provides a comprehensive review of the literature relevant to the research. Firstly, the two research fields of corporate governance, and governance for sustained value creation that provide the foundational context for the research are discussed. Next, conclusions are drawn from these two subsections and the recommendations in the literature for how future corporate governance research may be advanced, to provide a contextual basis for the research questions, and the approaches taken.

The review then provides context for a layered multidisciplinary investigation working within the layered multidisciplinary nature of organisations, supporting each of five research questions with a subsection reviewing the relevant literature. These subsections look at both the governance research perspective, and at relevant literature from multiple supporting discipline areas.

This review of the literature underpins exploration of different perspectives on the link between governance and sustained value creation. It indicates where there are gaps in the literature, and where there is support in the literature, for identifying components of thinking and practice within holistic understanding.

The structure for the literature review section is presented in Figure 2.1.

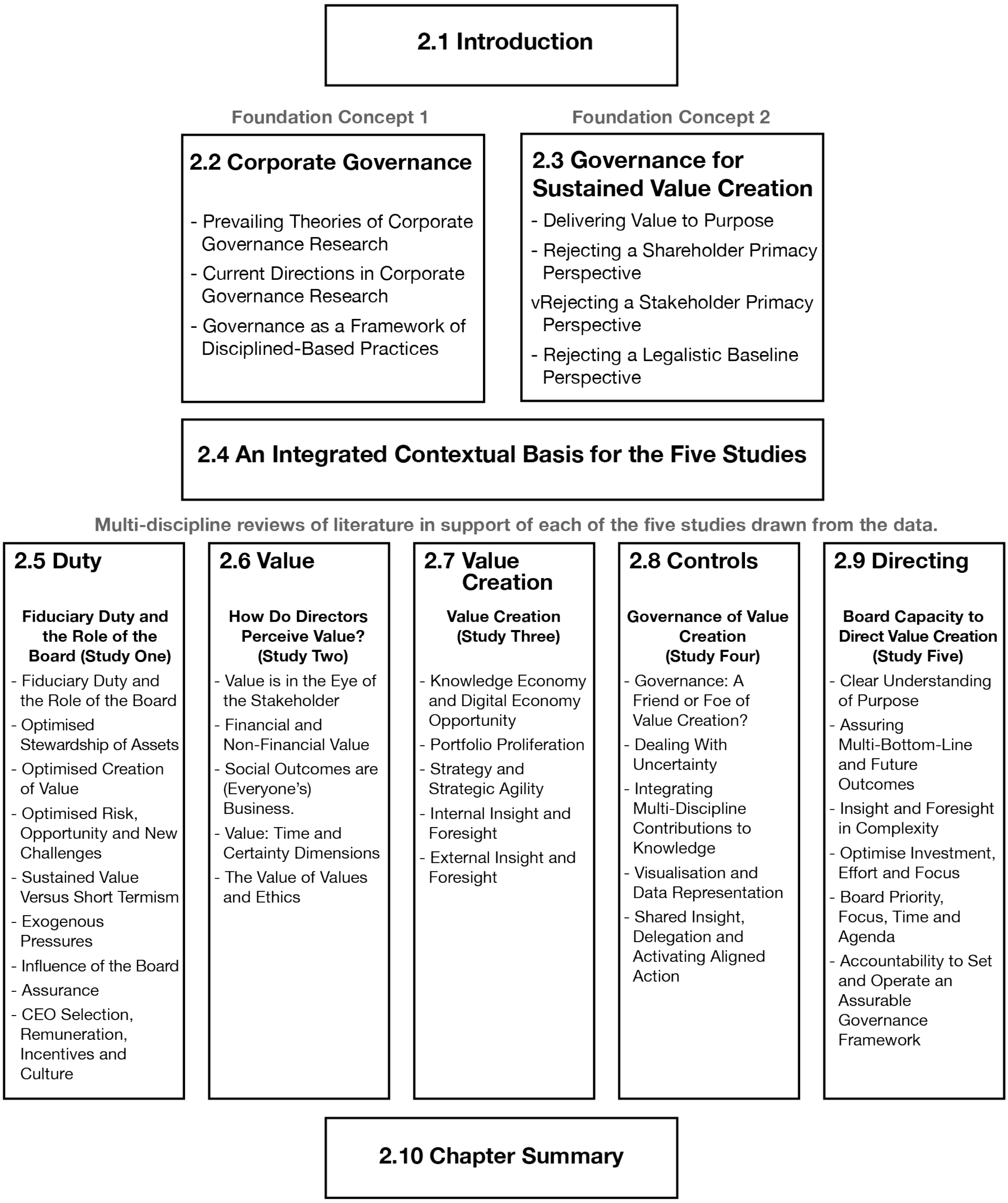

Figure 2.1: Literature review structure

This literature review chapter provides the study with its context within existing knowledge. As a first principles exploration, this research seeks to extend knowledge outside of the prevailing research approaches. As such there is little scope for the expected engagement in many of the predominant debates within the corporate governance literature. To the extent this is done, it is done within the discussion and conclusion sections, which look at the contribution and ramifications of the findings, rather than in this chapter.

In summary, this chapter provides a review of the literature relevant for the development of the thesis: the foundation concepts of corporate governance and governance for sustained value creation, and a review of multi-disciplinary literature relevant to each of the five research questions that follow.

2.2. **Corporate Governance**

The term corporate governance is interpreted in different ways in the evolving literature, and by practitioners applying it to constantly changing corporate environments (Crow & Lockhart, 2017; Du Plessis, Hargovan, & Harris, 2018; Pargendler, 2016). Corporate governance has been defined as a noun, as in "the system by which companies are controlled" (Committee on the Financial Aspects of Corporate Governance, 1992, p. 1). Corporate governance is also used as in an active sense as in "the exercise of ethical and effective leadership by the governing body" (King Committee on Corporate Governance, 2016, p. 20). And corporate governance can also combine these, as in "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled" (ASX Corporate Governance Council, 2019, p. 1).

Corporate governance is frequently defined with reference to a board's imperatives to serve legislative, shareholder, and increasingly, stakeholder, environmental and public perception and other obligations (Aguilera, Desender, Bednar, & Lee, 2015; ASX Corporate Governance Council, 2019). Just as it is difficult to codify what is required to direct a successful company, it is difficult to concisely define corporate governance (Larcker & Tayan, 2019).

Reflecting the definitional issues, there is no one-size-fits-all approach for corporate governance from either a theoretical or practitioner basis (Aguilera, Filatotchev, Gospel, & Jackson, 2008; Elsayed, 2011; Hilb, 2010). Existing prescriptions for boards continue to be described as insufficient even in the context of increasing numbers of international corporate governance codes (Carter & Lorsch, 2013; Carver, 2011; Turnbull, 2019). What constitutes good governance is still a matter of debate (Hambrick, Werder, & Zajac, 2008; Hilb, 2010; Rotberg, 2014), and there is subsequently little agreement on how it should be measured (Bhagat & Bolton, 2019). There is still very little that demonstrates how governance drives improvements in organisational performance or competitive success (Bøhren & Ødegaard, 2006; Du Plessis et al., 2018; Ingley, Khlif, & Karoui, 2017; Larcker & Tayan, 2019; Vagadia, 2013) or provides guidance to boards on which elements of corporate governance have significant impact (Crow & Lockhart, 2016; Larcker, Richardson, & Tuna, 2007; Leblanc & Gillies, 2003).

Whilst there is evidence of institutional investors paying a premium for good governance (Cuñat, Gine, & Guadalupe, 2012; Felton, Heeckeren, & Hudnut, 1996), there is little evidence linking sustained value creation and good governance practice (Chai-Aun et al., 2016; Lepore, Pisano, Di Vaio, & Alvino, 2018). There is a consensus that discovery of such a causal link between governance and sustained performance would be of great importance (Aguilera, Marano, & Haxhi, 2019; Leblanc & Gillies, 2003; Smallman, 2005; Zahra & Filatotchev, 2004). Calls for additional research to determine what constitutes good governance, how to measure it, and how to achieve it continue to be made (Aguilera et al., 2016; Bøhren & Ødegaard, 2006).

2.2.1. Prevailing theories of corporate governance research

As stated by Tricker (2009, p. 233), “Corporate governance, as yet, does not have a single widely accepted theoretical base or a commonly accepted paradigm”. The structure, role and impact of boards continue to be widely studied through theoretical perspectives arising from the disciplines of law (O'Brien, 2019; Reddy, 2019; Richards Jr & Stearn Jr, 1999), economics (Jensen & Meckling, 1979; Tirole, 2001; Zhou, 2019), finance (Bhagat & Bolton, 2019; Fama, 1980; Gao, Huang, & Yang, 2019; He, Ma, Wang, & Xiao, 2019), business (Abdelbadie & Salama, 2019; Aggarwal, Jindal, & Seth, 2019; Erhemjamts & Huang, 2019), accounting (Lamoreaux, Litov, & Mauler, 2019), social sciences (Useem, 1984; Valls Martínez & Cruz Rambaud, 2019), public administration (Glow, Parris, & Pyman, 2019), ethics (Kanapathippillai, Mihret, & Johl, 2019), information management (Steven De, Tim, Anant, & Laura, 2019), strategic management (Ben Slimane & Padilla Angulo, 2019; Boyd, 1995; Levillain & Segrestin, 2019) and organisation theory (Johnson, 1997) and many others.

The dominant governance theories in the literature include agency theory, stewardship theory and resource dependence theory with an increased focus of stakeholder theory in recent years (Clarke, 2004; Daily, Dalton, & Cannella, 2003; Ford & Rooney, 2016; Kiel & Nicholson, 2003). These are reviewed briefly in the following sections.

2.2.1.1. Agency theory

Agency theory is concerned with resolving problems that can exist in agency relationships; that is, between principals and agents on the assumption that situations will arise when the interests of the principal and agent are in conflict (Mastilak, Matuszewski, Miller, & Woods, 2018; Ross, 1973). Agency theory can be applied where, as a result of different motivations, inefficiencies or incomplete information, the principal and agent may each be inclined to take different actions (Alchian & Demsetz, 1972; Cruz & Haugan, 2019; Eisenhardt, 1989; Krause & Bruton, 2014).

A disproportionate share of the empirical literature on corporate governance is framed in terms of agency theory (Filatotchev & Boyd, 2009) and its focus on trust, skills, composition, compensations, motivations and conflicts of the directors serving on boards (Conheady, McIlkenny, Opong, & Pignatel, 2015; He & Sommer, 2010). This is increasingly considered too narrow a view (Clarke, Jarvis, & Gholamshahi, 2018), with efforts being made to complement (Ali, 2015; Daily et al., 2003), rather than replace agency theory with other approaches (Aguilera et al., 2016; Johnson, Daily, & Ellstrand, 1996; Zahra & Pearce, 1989).

Pure agency models provide little explanation of differences between mature-stage organisations subject to similar executive conflict of interest, governance and regulatory constraints (Ford & Rooney, 2016). The empirical research shows little significant organisational performance impact for separation of CEO and chair roles (Boyd, 1995; Moscu, 2013; Ram, Moyer, & Rao, 1996; Rechner & Dalton, 1991), or director independence (Donaldson & Davis, 1994). The practices suggested by agency theory appear necessary but not sufficient to performance oriented governance (Clarke, 2014; Hasnas, 2013; Heracleous, 2001).

2.2.1.2. Stewardship theory

Stewardship theory assumes that managers are stewards motivated by more than just financial self-interest. Instead, they are loyal to the company, interested in achieving high performance, gaining satisfaction through successfully performing challenging work, exercising responsibility and authority, and gaining recognition from peers and bosses (Davis, Schoorman, & Donaldson, 1997; Keay, 2017).

Stewardship theory draws on sociological and psychological approaches (Chrisman, 2019; Hirsch, Michaels, & Friedman, 1987; Perrow, Wilensky, & Reiss, 1972) to explain both the alignment of interests and the conflicts between owners and agents. Stewardship theory suggests that efficiency between managers and owners may be achieved more readily if the CEO is also the chairman of the board (Duru, Iyengar, & Zampelli, 2016), but this is increasingly unpopular in board guidance, even as the empirical data remains stubbornly equivocal (Donaldson & Davis, 1991; Ford & Rooney, 2016; Rutledge, Karim, & Lu, 2016).

2.2.1.3. Resource-dependence theory

When applied to corporate governance, resource dependence theory (Drees & Heugens, 2013; Johnson et al., 1996) explores directors' enhancement of the environmental linkages between the firm and outside resources. From this perspective, directors can potentially connect the firm with the external resources needed to survive, cushion it from environmental uncertainty, reduce transaction costs, acquire resources or specialised skills and expertise, and develop exchange relationships between organisations (Hillman, Withers, & Collins, 2009; Pfeffer, 1972; Pfeffer & Salancik, 2003; Zona, Gomez-Mejia, & Withers, 2018). Resource dependence theory may suggest that directors are best selected on their ability to bring networks of connections to an organisation (Johnson et al., 1996), resulting in a positive impact on firm performance (Hambrick, Misangyi, & Park, 2015). However, assessments of resource dependence theory's link to organisational performance has produced mixed results (Barney, Ketchen, & Wright, 2011; Drees & Heugens, 2013).

Resource-dependence theory has recently gained significant empirical and theoretical examination through board's gender diversity impact on firm performance, with positive (Bennouri, Chtioui, Nagati, & Nekhili, 2018; Campbell & Vera, 2010; Singh, Vinnicombe, & Johnson, 2001; Walker, Machold, & Ahmed, 2015), negative (Bøhren & Strøm, 2010; Darmadi, 2011; Mínguez-Vera & Martin, 2011), and equivocal findings (Arnaboldi, Casu, Kalotychou, & Sarkisyan, 2018; Carter, D'Souza, Simkins, & Simpson, 2010; Post & Byron, 2015; Rose, 2007; Shrader, Blackburn, & Iles, 1997). Other forms of diversity including skills diversity (Ramón-Llorens, García-Meca, & Pucheta-Martínez, 2019) and ethnic diversity (Melmusi, Ilona, & Kurniawan, 2019; Ngu & Amran, 2019), and the balance between them has had less exploration, and more questions than answers remain (Bernile, Bhagwat, & Yonker, 2018; Hillman, 2015; Katmon, Mohamad, Norwani, & Al Farooque, 2019).

2.2.1.4. Stakeholder theory

Stakeholder theory has seen a recent resurgence of interest as companies respond to complex world events (Barney & Harrison, 2020; Chandler, 2014; Valentinov, Roth, & Will, 2019). Stakeholder theory provides an alternative as the previously dominant view of short-term shareholder primacy becomes more widely challenged.

Stakeholder theory considers the firm from the perspective of the more complex value creation that different stakeholders seek and new ways to measure it (Freeman & Evan, 1990; Harrison & Wicks, 2013; Huse & Rindova, 2001). It suggests an interpretation of the firm as multilateral contracts with stakeholders including not only owners, but customers, suppliers, managers, staff and communities, and that each should have an empowered say in the management of the affairs of the organisation. Whilst this approach links a governance outlook with a wide range of management disciplines, it has been challenged because of the difficulty in clarifying which stakeholders are relevant (Miles, 2017), what value is, how it is to be measured, and over what timeframe value is to be considered (Verbeke & Tung, 2013). Whilst being recognised as a valuable contribution, stakeholder theory has been accused of not being a single theory per se but an amalgamation of ideas, interpretations and applications of ethics, CSR, strategy, accounting and governance (Gilbert & Rasche, 2008).

Stakeholder theory aligns with extensions to external corporate reporting to better address the interests of a broader range of stakeholders, and suggests the need for a wide range of stakeholder-interest information to be supplied internally to support decisions being made at the board (Pigé, 2017) and executive management (Clarke, 1998).

2.2.2. Current directions in corporate governance research

A wide range of alternative approaches have been proposed in response to researchers' calls for new perspectives beyond the constraints of the prevailing corporate governance theories. These have taken many different perspectives, based in different disciplines to explore links between increasing understanding of complex organisational objectives, governance and firm performance (Benn & Dunphy, 2013; Du Plessis et al., 2018). So far, the literature shows no consensus, and fails to provide guidance to practice with causal links to firm performance (Ford & Rooney, 2016; Larcker & Tayan, 2019).

2.2.2.1. Human factors in corporate governance

Studies of the 'human factor in corporate governance' examine how boards work and make decisions (Conheady et al., 2015; Finkelstein & Mooney, 2003; Forbes & Milliken, 1999; Li, Terjesen, & Umans, 2018; Nicholson & Kiel, 2007; Pye & Pettigrew, 2005; Wan & Ong, 2005). Exploring these behavioural processes and board room dynamics has opened up a new perspective looking at the interactions involved in decision making within the boardroom.

These studies consider the board as a team involved in value creation, and look into the dynamics between team members, decision making cultures, cognitive tasks, negotiation, conflict, and the influence of different individuals within the team (Bird & Park, 2018; Huse & Gabrielsson, 2012; Minichilli, Zattoni, Nielsen, & Huse, 2012; Pugliese, Nicholson, & Bezemer, 2015; Van Ees, Gabrielsson, & Huse, 2009). Board culture is explored from the perspective where creating business value is the job of the board acting as a human social system in which no one holds individual formal power (Charan & Colvin, 2010). This scenario suggests that board members ability to complement each other is what delivers superior outcomes (Hilb, 2010; Klarner, Probst, & Useem; Maharaj, 2009).

This approach arises from the recommendation that board effectiveness not board structure must be analysed as a determinant of corporate performance (Leblanc & Gillies, 2003; Zattoni & Pugliese, 2019).

Various studies explore the role, tasks and processes of the board defined as being control, advisory or access to resource in nature (Huse, 2005; Minichilli et al., 2012; Nicholson, Kiel, & Tunny, 2012), as conformance roles (past and present oriented) and performance roles (future oriented) (Tricker, 1994), and as directing and controlling roles (Hilb, 2010). Whilst balance across these is shown to be important, models provide little guidance on how this is to be achieved (Ingley et al., 2017).

2.2.2.2. Policy governance

The policy governance model (Carver & Oliver, 2002) suggests the role of directors as being active leaders on behalf of owners. Policy governance is built from social contract philosophy where the board is responsible for using policy to completely specify its objectives in terms of outcomes defined as ‘ends’, and constraints in terms of ‘means’.

Policy governance highlights that the board is accountable for the clarity of its desires documented in a policy governance framework, and holding management accountable for its attainment. It suggests boards do not involve themselves in how outcomes are to be achieved except through the definition of methods or means that are unacceptable. It is a theory of ownership and the expression of ownership in the organizational context (Carver, 2001b). A meta-study of four empirical investigations concluded that policy governance “appeared to work, but on current evidence cannot be shown to be more effective than other approaches to board improvement" (McGregor-Lowndes, Hough, & Ryan, 2004, p. 216)

2.2.2.3. Enterprise governance

Enterprise governance (Vagadia, 2014) is an approach suggested for governing organisations in a world looking for high performance with the only certainty being continuous rapid change. Enterprise governance draws together the necessary breadth of the organisation with an aligned approach incorporating operational governance, strategic governance and corporate governance. These three layers separate out various aspects of a board's responsibilities into focussed, multi-disciplinary practices so that it can be more explicitly dealt with using deliberative effort. By separating board responsibility into three distinct areas, enterprise governance enables practitioners to consider the targeted performance (outcomes) that a board would like to achieve, how to balance their efforts and focus between them and, importantly, an outline of existing professional and quality disciplines that support the operation of each.

2.2.2.4. Other governance models

Many emerging models are being proposed in response to increasing awareness of the limitations of prevailing theories.

Farquhar, Machold, and Ahmed (2014) suggests directors take on different task performance over their period serving on a board, whilst others identify the change in role associated with the organisation's lifecycle (Taylor, Dulewicz, & Gay, 2008). Khlif et al. (2019) suggest that various theories solve different problems and may therefore find relevance at different organisational stages. Their work categorises the major prevailing theories alongside team production theory, social network theory, strategic leadership theory, upper echelon theory, and cognitive perspectives, as they address increasing relational complexity, or increasing cognitive complexity (Sanchez, Galbreath, & Nicholson, 2017).

Redesigns for the practice of governance to engage stakeholder complexity have been proposed through network governance (Turnbull, 2019), and organic or cluster governance (Benn & Dunphy, 2013) suggesting stakeholder engaged co-regulation to monitor and control misconduct and overcome conflicts of interest inherent in existing practice.

Further recommended pathways for advancing corporate governance research come from a wide variety of other sources (Aguilera et al., 2015; Aguilera & Jackson, 2010; Brennan & Solomon, 2008; Filatotchev & Allcock, 2010; MacHold, Ahmed, & Farquhar, 2008; McCarthy & Puffer, 2003), but a generally accepted model remains elusive (Larcker & Tayan, 2019).

2.2.2.5. Theories of complexity and change

Yet another recent approach to corporate governance is complexity theory (Connelly, Tihanyi, Ketchen, Carnes, & Ferrier, 2017; Jessop, 1997; Stenvall & Kaivo-Oja, 2013), which explores how to strengthen the capacity to govern complex adaptive systems through processes of change characterized by "nonlinear dynamics, threshold effects, cascades, and limited predictability" (Duit & Galaz, 2008, p. 311). There is further investigation of the application of management sciences to enable effective governance (White, 2001), and the development of foresight (Stenvall & Kaivo-Oja, 2013) to support decision making and strategy (Eisenhardt & Piezunka, 2011). However, these tend to be tentative investigations of new approaches, or application of a theory to develop understanding, rather than a generally and practically applicable model and tested theory for governance.

Recent work has been deliberatively looking for new paradigms of leadership, management and governance, overcoming the constraints of old boundaries and industrial-age thinking. Complexity leadership theory research suggests that leadership is more than the influential act of an individual. Rather, it is embedded in a complex dynamic relationship between the bureaucratic, administrative functions and the governance of complexity (Uhl-Bien, Marion, & McKelvey, 2007).

2.2.2.6. Corporate entrepreneurship

Corporate entrepreneurship is a broad field of investigation covering deliberative business growth through business innovation within mature stage organisations (Kuratko, Hornsby, & Hayton, 2015; Zahra & Covin, 1995). This is achieved through internal innovation, joint ventures or acquisitions, strategic renewal, product, process, and administrative innovations, diversification, and processes (Van de Ven & Engleman, 2004) by which individuals' ideas are transformed into collective actions through the management of uncertainties (Dess et al., 2003; Kreiser, Kuratko, Covin, Ireland, & Hornsby, 2019; Phan, Wright, Ucbasaran, & Tan, 2009).

Various models of corporate entrepreneurship (Dentchev et al., 2015; Jennings & Hindle, 2004; Shepherd & Katz, 2004; Zahra & Covin, 1995) attempt to provide structure to value creation (Kreiser et al., 2019). No single approach has yet been adopted, and it has been suggested that it is presented as a measure of an organisation's skill, as an outcome without guidance as to how it is to be achieved (Kuratko, Hornsby, & Covin, 2014), without real-world example or empirical testing (Abdelgawad, Zahra, Svejenova, & Sapienza, 2013; Anderson, Eshima, & Hornsby, 2019), or practical guidance that senior managers or board can introduce (Kuratko et al., 2015; Kuratko, Ireland, & Hornsby). Continuing developments in this area include: (a) explorations of business model innovation at the intersection of strategy and entrepreneurship research (Frankenberger & Zott, 2018); (b) an enhancement to corporate governance (Ziyae, 2018); (c) within a theory of corporate governance deviance alongside a national governance identity (Aguilera, Judge, & Terjesen, 2018); and (d) in systematic review of governance research in entrepreneurial firms (Li et al., 2018).

2.2.2.7. Living systems thinking and change

Living systems thinking (Barile & Saviano, 2018; Caputo, Walletzky, & Štepánek, 2019; Jackson, 2003) and a variety of insightful theories of change (DeTienne, 2004) and re-invention (Culbertson, Hughes, & Ford, 2007; Van de Ven & Engleman, 2004) provide further approaches to describing the practice of decision-making and ongoing transformation in complexity. It has been asked if systems thinking is required to help boards analyse and understanding their complex and interdependent issues (Coulson-Thomas, 2018a).

2.2.2.8. Knowledge, information and information processing views of the firm

Other perspectives view organisations as a body of knowledge or as participating in a system of structured information flows including an information processing view (Schønning, Walther, Machold, & Huse, 2018), a knowledge view (Grant, 1996; Nickerson & Zenger, 2004; Spender, 1996), and an information and organisation view (Casson, 2001).

Corporate strategy theorists utilising the idea of the firm as a body of knowledge suggest development of knowledge for competitive advantage (Abusharekh, Ahmad, Arqawi, Naser, & Al Shobaki, 2019; Namada, 2018), as a source of economic rent (Liebeskind, 1996). Others suggest a view of the firm as a “dynamic, evolving, quasi-autonomous system of knowledge production and application” (Spender, 1996, p. 59), or suggest that continuously creating knowledge is the very purpose of the firm (Kengatharan, 2019;

Nonaka, Toyama, & Nagata, 2000). Some researchers propose quantifying the value the firm through a knowledge-based balance sheet (Toms, 2006), knowledge capital (LaFayette, Curtis, Bedford, & Iyer, 2019), or intellectual capital (Corbella, Florio, Sproviero, & Stacchezzini, 2019). However, there is little discussion in the literature of how a board might gain corporate governance oversight of a firm's intellectual capital sufficient to the emerging demands of external integrated reporting.

Effective knowledge creation has been explored for its implications to how firms are structured and organised (Du Rietz, 2018; Galbraith, 1974; Tushman & Nadler, 1978) for uncertainty, as an aid to strategic decision-making (Tuggle & Gerwin, 1980), and as support for innovation and value creation (Zyngier, 2012). Costs of information sharing has been suggested as a barrier to entrepreneurial innovation in large firms with the recommendation that "resource and knowledge roles of governance may be particularly important for increasing strategic flexibility and ensuring a long-term focus on growth and survival" (Zahra & Filatotchev, 2004, p. 895).

Research in this field has focussed mostly on the governance of knowledge creation (Nickerson & Zenger, 2004). There is little that explores the specific information and insight that brings value to corporate governance, or its utility in strategic agility, innovation investment and sustained value creation (Du Rietz, 2018).

2.2.3. Governance as a framework of disciplined-based practices

> *It may be possible to enhance company performance when the division of labour between the board and management is clearly defined and understood, efficiently implemented and both groups are actively engaged together in seeking positive performance outcomes. Therefore, corporate governance may be perhaps better understood as a mechanism to be*

> *activated by the board, and through which activities occur and enhanced outcomes are achieved (Crow & Lockhart, 2016, p. 1027).*

Most studies examining the links between corporate governance and firm performance are quantitative studies (Filatotchev & Wright, 2017; McNulty et al., 2013) underpinned by the prevailing theories outlined above (Aguilera et al., 2016; Finkelstein & Mooney, 2003; Ford & Rooney, 2016; Zahra & Filatotchev, 2004). There have been many calls over several decades to explore new approaches to overcome the limitations of prior corporate governance research (Filatotchev, Toms, & Wright, 2006; Gabrielsson & Huse, 2004; Hambrick et al., 2008; Johnson et al., 1996; Khlif et al., 2019; Larcker & Tayan, 2019; Leblanc & Gillies, 2010; Nicholson & Kiel, 2007; Smallman, 2005; Zahra & Filatotchev, 2004). Many recent studies responding to these calls have explored the human factors of corporate governance taking a behavioural view of how directors work together to make decisions (Huse, 2007), and the board capital made up of human and social capital (Sanchez et al., 2017).

However, the literature identifies few hard metrics against which to define and measure a specific set of relevant tasks that would provide directors with sufficient guidance as identified by Nicholson, Kiel, et al. (2012, p. 289) wherein “An effective board is one that knows and can execute the tasks required of it”. Rather, the literature tends towards description of a generic set of limited roles (Nicholson, Kiel, et al., 2012), which are most often considered from a behavioural perspective (Nicholson, Pugliese, & Bezemer, 2017).

The near-universal occurrence of ineffective boards (Carver, 2011; Garratt, 2017; Tricker, 2012), failing to deal with increasing complexity (Khlif et al., 2019), suggests that the personal skills of directors, and the power structures on the board are either not the problem, or cannot be the basis of a viable solution.

There is no theory by which we can upgrade the quality of individual directors. As Drucker (1991, p. 114) states, “Having better people is not the key“. The study of directors’ interactions through psychology and human behaviour, has done little to explain how to move beyond Peter Senge’s observation of a board as “a team of individual IQs above 120 having a collective IQ of 60” (Hilb, 2011, p. 71). The debate in the literature continues to be at an impasse beyond which it is unable to proceed (Crow & Lockhart, 2014; Larcker & Tayan, 2019). Garratt (2017, p. introduction) describes governance as being “in a torpor, directionless, and in need of reframing following the implosion of trust between the governed and the governors across the world”.

This review identifies that there is relatively little literature that explores the mechanisms of corporate governance as a framework of discipline-based practices sufficient and fit-to-purpose to enable a board to execute its role in the context of emerging complexities.

It is suggested that in-depth investigations of corporate governance processes and work-content practices, from a multi-discipline and integrated view (Crow & Lockhart, 2016; Ford & Rooney, 2016; McNulty et al., 2013) could provide the practical insights, deep explanations and causal relationships that Ford and Rooney (2016) have suggested are missing from an inconclusive body of corporate governance literature. It may provide a new perspective from which the utility of dominant and emerging theories may be reconsidered.

2.2.4. Summary

> *“Making a board effective requires spelling out its work, setting specific objectives for its performance and contribution” (Drucker, 1991, p. 114).*

Significant gaps in the literature remain in a disciplined purposeful work-content based study of corporate governance. The gaps indicate the need for a study grounded in the director's purpose, quantifying specific objectives for their performance and contribution, and an exploration of the necessary issues that directors need to put their minds to, and the processes by which those issues are engaged. The corporate governance literature suggests that an exploration of the practices and methods that would enable a board to deliver to its purpose may give new insight towards identifying links between corporate governance and sustained value creation.

In the next section, I explore the second foundation concept of sustained value creation. This provides contextual support for the five studies which later explore the link between corporate governance and sustained value creation.

2.3. **Governance for Sustained Value Creation**

Sustained value creation is a simple phrase, widely, but not universally, used to indicate the objectives and characteristics of a successful organisation, and thereby the objective of its board's practice (Lieberman, Balasubramanian, & Garcia-Castro, 2018; Nicholson & Cook, 2009). However, the concept of sustained value creation has many facets, and remains the subject of debate (Benn & Dunphy, 2013; Garcia-Castro & Aguilera, 2015).

This thesis undertakes an exploration of governance and sustained value creation from the perspective of optimising the achievement of purpose (Kempster, Maak, & Parry, 2019). Defined as an outcome, sustained value creation can be considered as the defined objectives of optimised, balanced achievement of organisational purpose across time (Freudenreich, Lüdeke-Freund, & Schaltegger, 2019; Porter & Kramer, 2019). Defined as a process, sustained value creation can be considered as all of the activities of the organisation that contribute to the optimised, balanced achievement of organisational purpose across time (Corsaro, 2014).

Directors have a fiduciary duty, akin to a trustee's duty of care, that is owed to the entity they serve (Blair, 2012; Sealy, 1967). The fundamental objective of that duty is to optimise the organisation's achievement of purpose balanced across the various elements of that purpose, and across time, within the changing environment and constraints in which the entity operates (Browning, 2012; Brudney & Nobbie, 2002; Nicholson & Cook, 2009). The board therefore needs to optimise the actions, activities and effective capacity of the organisation (sustained value creation as process) to optimise achievement of its balanced purposeful objectives (sustained value creation as outcome).

2.3.1. Delivering value to purpose

The reason for any organisation's existence, its raison d'être, is to deliver on its purpose (Kempster et al., 2019; Zanda, 2018). The reason that an organisation has been brought into existence is its purpose, and achievement of its purpose is the reason it exists (Garratt, 2017; Khlif et al., 2019; Morrow & Veldman, 2018). It is not a static concept. It must be maintained over time to remain relevant (Carver, 2001b; Zanda, 2018).

This purpose is defined, explicitly or implicitly, by its fundamental principles and established precedents (Argenti, 2018; Zanda, 2018). Some organisations and organisational forms may have specific and measurable purpose explicitly enshrined in their constitution or other documents, while others may not (Kempster et al., 2019).

2.3.2. Rejecting a shareholder primacy perspective

Interpreting value solely through a focus on share value is problematic. It is increasingly clear that value to shareholders is not equivalent to overall value created by the corporation, and that shareholder primacy is not prescribed by corporate law in any of the major economies (Aglietta & Rebérioux, 2005; Blair, 2012; Clarke, 2014; Clarke et al., 2018). A focus on share value is frequently identified as a major contributor to short-term thinking that compromises the long-term success of corporations (Larcker & Tayan, 2019; Nicholson & Cook, 2009). It is an overly simplistic approach when it is considered that all shareholders interests are not the same (Sikavica & Hillman, 2015).

Further, research based on shareholder primacy limits governance thinking to corporations. Governance is an issue in all types of organisation across listed, privately held, community, government and all other forms of organisational entities (Carver, 2001b, 2010; McClusky, 2002).

Finally, from a legal perspective, “shareholders own shares and not firms”, and “the management of the firm is not akin to the management of the shareholders property” (Robé, 2011, p. 58). Shareholders have rights defined in law, that are extremely limited in nature. A governance theory based on non-existent ownership rights may therefore be inherently problematic. An exploration of governance in the context of shareholder and market interests and operation, but not solely from their perspective, may contribute to a more complete understanding of corporate governance.

2.3.3. Rejecting a stakeholder primacy perspective

Fiduciary responsibilities owed to stakeholders has received much recent attention, as a response to increased awareness of issues arising from the shareholder primacy view (Kujala, Lehtimäki, & Freeman, 2019; Miles, 2019; Rönnegard & Smith, 2019). The stakeholder view has received recent endorsement through the U.S. Business Roundtable’s recent announcement on the Purpose of a Corporation (Business Roundtable, 2019). This gives rise to the need for boards and managers to construct a new managerial reality in which firms, the economy, the environment, and society are seen as intrinsically and broadly systemically interrelated (Sanchez et al., 2017).

There are strong arguments that purpose and the sustainable creation of value must be considered in relation to stakeholder needs (Larcker & Tayan, 2019; Porter & Kramer, 2019). However, it is not up to stakeholders to set the definition of value. Boards cannot simply abrogate their role to a survey of stakeholder's needs, any more than a person could define their fulfilled existence through a survey of being liked by their friends and family. Even if this was valid, all stakeholders' interests are not equal or sufficient in that consideration (Lieberman, Garcia-Castro, & Balasubramanian, 2017), rather, it is the role of the board to balance the interests of stakeholders and other calls on the organisation, as part of the process of identifying the expression of the personality of the artificial person that is the organisation.

A first-principle exploration of governance that encompasses a wider understanding of stakeholders, and the challenge for directors in balancing stakeholder and other demands, may contribute to a more complete understanding of corporate governance.

2.3.4. Rejecting a legalistic baseline perspective

A significant body of corporate governance literature explores perspectives based on the strictures, commonalities and differences in corporate law, within and across different jurisdictions (Areneke, 2019; García-Castro et al., 2013; Sealy, 1967). However, following the duties prescribed in law does not provide sufficient guidance on how to perform the director's role, create sustained value, or run a successful company (Garratt, 2017). Directors must adhere to the law, but it is only one of many outcomes they need to oversee. Academic studies on shareholder rights (Johnston & Morrow, 2015; Robé, 2011), and the constant change in regulation indicate that a legal basis provides an insufficient basis for a universal model of value creation applicable across jurisdictions, different organisational forms and different market challenges (Nicholson, Newton, & McGregor-Lowndes, 2012).

Further, limited liability company structures are common across major economies, but are not the sole constitutional structure in organisations where corporate governance is applied. It has been suggested that new governance thinking should not be constrained to these particular corporate forms (Kim & Ozdemir, 2014; Tricker, 1990).

A first principle exploration of governance that works in the context of, but is not founded on, legal definitions may contribute to a more complete understanding of corporate governance.

2.3.5. Summary

Much of the existing literature on corporate governance applies the prevailing structural and people-based theories, and/or are based on the primacy of shareholder, stakeholder or legalistic perspectives. The study of corporate governance may benefit from an investigation of practices leading to a broad understanding of sustained purposeful value creation. Such research must operate in the context of, but not necessarily be founded on, these previous perspectives.

2.4. An Integrated Contextual Basis for the Five Studies

Some researchers are of the view that new studies linking governance and performance should be explorative, based on qualitative (Ford & Rooney, 2016; McNulty et al., 2013), layered, and integrated research (Aguilera et al., 2016; Berthelot et al., 2010; Khlif et al., 2019). They should convey a richness and depth of data from a larger sample of different sources (Filatotchev & Wright, 2017).

These qualitative approaches should, we are told, open the black box to focus on internal processes, not the usual suspects of external measures. They could look at bundles of complementary multi-disciplinary corporate governance mechanisms (García-Castro et al., 2013), acknowledging their contribution to the debate, rather than investigating them one at a time (Kumar & Zattoni, 2019). And, it is suggested, that to overcome recognised systemic challenges in implementing extended and integrated reporting, researchers should shift the focus from reporting to internal practices (La Torre, Bernardi, Guthrie, & Dumay, 2019).

However, it has been observed that investigation in this field is constrained by the challenge that high-quality data on what happens in the boardroom, board processes, dynamics and culture is difficult to obtain (Aguilera et al., 2016; Crow & Lockhart, 2014), and that director's tasks will change from board to board. It has been suggested that a global governance theory, if it is to be found, must be anchored in the purpose of boards rather than derived from an analysis of current board practice (Carver, 2010). The understanding of, and quantification of, the purpose of the board, in relation to sustained value creation, is explored in the first and second studies of this thesis.

> Study One: Exploring director perceptions of fiduciary duty and their role in sustained value creation.
>
> Study Two: Exploring director perceptions of value.

The literature supporting these explorations is discussed in Chapter 2, Section 2.5-2.6.

Further, the case has been put that a global, comprehensive and encompassing governance theory would need to be "integrated to comprehend the same phenomena with multiple lenses, not just juxtaposing theories, but integrating them in space and time" (Khlif et al., 2019, p. 602). And, that this can only arise from studied attention to i) the purpose of the organisation and the board, ii) the minimum elements of accountability for outcomes, and iii) the concepts and principles that would enable those universal characteristics to be optimised (Carver, 2010). And, it has been observed that a board's capacity for strategic change and sustainable performance in all forms of organisation is driven by cognitive flexibility attributable to the board's capacity to processes information (Sanchez et al., 2017), and to the insight and reliability of the information it receives (Johanson, 2008). An enhanced approach to future research was recommended succinctly in the suggestion of the need to "focus on what type of information directors must have to discharge their duties effectively" (Cornell, 2003, p. 71).

Scholars have called for more theoretically pluralistic research into the interrelated human, procedural, and organizational factors that determine the extent to which organizations may actually achieve the performance goals set by their boards (Daily et al., 2003). And it has been identified that to achieve new goals for sustainability performance, boards will need to engage new resource and coordination capabilities that integrate at the operational level (Sanchez et al., 2017).

An investigation of the processes that must be in place to support the achievement of director's capacity to effectively govern sustained value creation in this context is explored in the third, fourth and fifth studies of this thesis.

> Study Three: Exploring director perceptions on the factors of value creation.
>
> Study Four: Exploring director perceptions of practices and controls for value creation.
>
> Study Five: Exploring director perceptions of the board's capacity to direct sustained value creation.

The literature supporting these explorations is discussed in Chapter 2, Sections 2.7-2.9.

It was concluded that an integrated multidisciplinary approach, that uses qualitative methods to analyse directors understanding of what they need to effectively govern sustained value creation would support a fresh reflection on the literature, and provide context for discussion of the research data and findings.

The five studies respond to these calls for new approaches. Together they provide additional insight into how a link between governance and sustained value creation may be further explored. They provide a platform of new understanding giving a new perspective on the prevailing governance theories, and point towards areas worthy of further investigation.

2.5. **Fiduciary Duty and the Role of the Board (Literature for Study One)**

Study one explores director perceptions of fiduciary duty, their role and the role of the board in sustained value creation.

The role of the board is not prescribed by legislation, practice or literature, and each of various perspectives on the issue contains several debates. This section explores literature associated with fiduciary duty and the various responsibilities, expectations, pressures and roles of the board, in the context of value creation. Fiduciary duty and the Role of the Board are investigated through the concepts, theories and debates arising from various layered perspectives, comprising: (a) the role of the board; (b) the optimised stewardship of assets; (c) optimised creation of value; (d) optimised risk opportunity and new challenges; (e) sustained value versus short-termism; (f) exogenous pressures; (g) the limits on the influence of the board; (h) assurance, and finally (i) CEO selection, remuneration, incentives and culture.

Consistent with an integrated multi-disciplinary study, this review examines both corporate governance, and the relevant literature from legal, accounting, management, economics and other disciplines.

2.5.1. Fiduciary duty and the role of the board

Director's fiduciary duty of care and loyalty (Beveridge Jr, 1991) obliges directors to act in good faith, in the best interests of the organisation (Huebner & Klein, 2015). Recent debate has clarified that directors owe their fiduciary duty to the organisation they serve (Business Roundtable, 2019; Garratt, 2017; Sealy, 1967), rather than, as previously commonly held (Johnson et al., 1996; Lazonick et al., 2016), as trustees for the best interests of the owners of the organisation's shares (Clarke et al., 2018; Jensen & Meckling, 1976; McNulty & Nordberg, 2016).

This revisiting of fiduciary duty provides a new vantage point from which to consider the role of the board and related literature in the context of the increasing expectations and complexities of governance in the 21st century (Sullivan, 2015, 2019). Long and inconclusive debates have argued how to describe the role of the board, governance, what boards do that influences performance, and how this work should be measured (Bhagat & Bolton, 2019; Crow & Lockhart, 2016). The literature observes that a board's core responsibilities and activities are yet to be clearly identified and assessed (Conger & Lawler, 2009; Larcker & Tayan, 2019; Nicholson, Kiel, et al., 2012). Yet even whilst this clarity of expectation remains lacking, board assessments (Nicholson, Kiel, et al., 2012; Nicholson & Newton, 2010; Tricker, 1987) are increasingly required by corporate governance codes and regulation (Machold & Price, 2013).

Fiduciary duty owed to the organisation provides a fresh perspective. Organisations, as legally constituted in most jurisdictions, are treated as a legal person, assigning them certain rights, responsibilities and legal treatments more or less as afforded to a human being (Delios & Wu, 2005; Schane, 1986). Organisations are brought into existence to achieve a purpose, and achievement of its purpose is the reason it exists (Basu, 2017; Morrow & Veldman, 2018; Petrin & Choudhury, 2016). An organisation's purpose may be defined explicitly, or implicitly by its fundamental principles and established precedents (Kempster et al., 2019). But, an organisation, as a legal person, is not a real person able to make its own decisions. Rather, is up to directors, acting as trustees for the organisation's interest, to direct its resources and actions towards the achievement of its purpose (Eckstein & Parchomovsky, 2018) balanced across the various elements of that purpose, and across time, within the changing environment and constraints in which the entity operates (Clarke & Lee, 2019; Nicholson & Cook, 2009).

The board's primary role, from a fiduciary duty owed to the organisation perspective, could, therefore, be considered as the advancement of sustained value creation towards the optimised, balanced achievement of organisational purpose across time. Or, in other words, the achievement of sustained purposeful value creation.

Explicit statements of purposeful intent and measures of its achievement (Carver & Oliver, 2002; Clarke & Lee, 2019; Nicholson & Cook, 2009) could potentially serve within a new model of integrated governance, as a basis of decision-making, and as a new form of director role accountability. This could potentially lead to positive performance impacts where it has been argued that performance is improved where "strategy is developed, decided upon and implemented effectively in the context of the sustainable purpose of the organisation; performance is reported, monitored and verified; and the board and management are actively engaged together in the practices of governance" (Crow & Lockhart, 2016, p. 1031).

Carver (2011) suggests that clearly defined governance practices are aimed at ensuring that an organisation achieves what it should achieve while avoiding those behaviours and situations that should be avoided. Following this logic, an important responsibility for the individual director and that of the board collectively is to procure governance practices that are fit-for-purpose to enable them to effectively execute their role, assuring that challenges are met, and aspirations pursued over the longer-term.

Delivering one's fiduciary duty is not a simple task. The board's role is complex and varied. The business judgement rule (Ponta, 2015) sets a legal definition for the acceptable performance of director duties. But optimising performance, and meeting rising public expectations (Nason, Bacq, & Gras, 2018) sets a higher bar. The remainder of this section explores a selection of aspects of fiduciary duty and the role of the board and explores how they might feature in a practice of governance that meets these higher performance standards.

Exploration of what is required to deliver on a director's fiduciary duty, and the fit-for-purpose practices involved in the context of sustained value creation may help to align and clarify debates in this area, and advance our understanding of corporate governance (Kallifatides & Petrelius Karlberg, 2013).

2.5.2. Optimised stewardship of assets

The previous section argued that the role of the board is to optimise the effective value of the organisation over time. It is not controversial to suggest that a trustee's duty extends beyond passive preservation of that value, into optimising the sustained growth in value over time, within appropriate risk constraints (De Haes & Van Grembergen, 2010; Othman & Sheehan, 2011; Valentine & Stewart, 2013). Failing to make effective use of assets can be viewed as sub-optimal stewardship of assets and thereby, as a destruction of potential value (Garriga & Werner, 2018).

Effective stewardship of assets means not just optimising the value of the organisation's assets, but ensuring that assets are available to be effectively and sustainably used to maximise the achievement of the organisation's purpose (Ivanov & Mayorova, 2015;

Wataya & Shaw, 2019). Organisations are increasingly expected to account for multiple capitals and intangible assets. For example, an organisation's market position and human capital are assets that have potential use in value creation. In response to opportunity, these assets can either be exercised or squandered. This broader view of multiple capitals and intangible assets recognises the intrinsic purposeful value of each of these additional classes of assets in their own right, and not just as raw materials inputting to a singular financial value goal. The International Integrated Reporting Council (IIRC) and other agencies promote multi-capital reporting, and Integrated Thinking as pathways to enhance value creation performance (Adams, 2015; Lee & Yeo, 2016). However, it has been observed that the IIRC has not fully defined and articulated the concept of integrated thinking, and there is little shared consensus among practitioners (Feng, Cummings, & Tweedie, 2017; Perego, Kennedy, & Whiteman, 2016). Accounting for multiple capitals and intangible assets is a significant shift in the expectations of the board. These issues will be explored in further detail in Section 2.7.

Boards have an obligation to pursue the entrepreneurial and innovation activities required for sustained value creation (Gabrielsson & Huse, 2017; Lazonick, 2014). However, increasing public scrutiny, corporate failures, regulatory control and stakeholder involvement encourage the trustee to prioritise the conservation the assets, thus avoiding the risk associated with entrepreneurial activity (Culbertson et al., 2007; Harjoto, Laksmana, & Yang, 2018). Boards who succumb to this pressure are subsequently criticized for being conservative and overly focussed on compliance and risk management (Griffith, 2015; Kim & Ozdemir, 2014) at the expense of value creation.

The board's role in sustained value creation can be understood from the perspective of stewardship that optimises the effective value of a broad range of asset types in a form where they are available to be used, sustainably to maximise the achievement of the organisation’s purpose. Further exploration of fiduciary duty from the perspective of optimised stewardship of assets may help to clarify debates in this area, and further our understanding of corporate governance.

2.5.3. Optimised creation of value

A director as trustee for the organisation’s interests should seek to optimise the rate at which value is sustainably created, delivering to the organisation’s achievement of purpose.

The purpose of the organisation may define objectives in terms of services, and/or aspirations that may not be defined in terms of the assets and capitals explored in the previous section. Purposeful objectives may include: (a) delivery of community sector services such as disability transport; (b) commercial organisations’ purpose statements such as ‘building a connected future’; or (c) government organisations administration of specific government programs measured in terms of quantity, quality or impact of the service (Kroll & Moynihan, 2015). Or they may be defined as statements of outcome objectives such as: (a) addressing mobility disadvantage; (b) helping our customers, communities and people to prosper and grow; or (c) defined in relation to a wide range of social outcome measures (see Section 2.6.3). Outcome objectives are more frequently measured as a quality, perspective or impact for a target stakeholder group, or within an economic, social or environmental ecosystem (Kroll & Moynihan, 2015). Other stated or unstated aspects of purpose may include a return to shareholders, maintaining capital adequacy, maximising impact within a fixed budget, legal compliance, staff wellbeing and sustained viability (Levillain & Segrestin, 2019; Morrow & Veldman, 2018).

Directors have a role in assuring the optimised use of the organisation’s efforts and investments towards deliberatively balanced achievement of purposeful objectives (Bocci, 2017).

Value creation is not absolute. Organisations may be effective or ineffective in their creation of value. Ineffective organisations, who waste resource and the opportunity cost of its tangible and intangible assets are destroying potential value (Arrive & Feng, 2018). Director have a role in assuring that their organisation is optimally effective in pursuit of its goals, to minimise this loss (Niesten, Jolink, de Sousa Jabbour, Chappin, & Lozano, 2017; Pearce II & Patel, 2018).

The board's role in sustained value creation can be understood from the perspective of its oversight of optimally effective balanced delivery of the organisation's purpose. Further exploration of fiduciary duty from the perspective of optimised creation of value may help to clarify debates in this area, and further our understanding of corporate governance.

2.5.4. Optimised risk, opportunity and new challenges

Some researchers have characterised the heightened risk in the current business climate (Horney, Pasmore, & O'Shea, 2010) by using the US military acronym VUCA (Richard, 1997) which refers to volatility, uncertainty, complexity and ambiguity (Bennett & Lemoine, 2014).

In a VUCA environment, the ability to operate effectively within the risk inherent 'on the battlefield' is key to success. Balancing risk governance with growth-oriented innovative activity is key to the sustained success of the organisation (Griffith, 2015; Kim & Ozdemir, 2014; Lazonick, 2014; Taylor, 2003). The necessary entrepreneurial and innovative activities are inherently risky, but can be engaged within acceptable risk tolerances if approached with the right practices (Yang, Ishtiaq, & Anwar, 2018). Boards that seek to avoid risk invite failure, just as the military observe that the only way to avoid risk is to surrender and exit the battlefield (Lu & Wang, 2018). Risk must be effectively engaged. Mitigating and working effectively with risk is a cost of doing business, and a competitive competency required to optimise opportunity. It appears that few organisations do this well (Florio & Leoni, 2017).

It is suggested that current risk practices defined within explicit and tacit rule-sets, and omissions, embodied as corporate governance (Chait, Ryan, & Taylor, 2011) need to be upgraded to cope with emerging challenges and to grasp the opportunity of the current era (Regine, 2017). The board is responsible for the appropriateness of enterprise risk management (Tricker, 2015) as it is for other governance practices. Studies looking at internal risk controls have found positive risk cultures (Sheedy & Griffin, 2018), even whilst other reviews have concluded otherwise (Davis, 2019), or seen it as a dimension of boards' granting of CEO power (Sheikh, 2019). Either way, an organisation's engagement with risk remains a responsibility of the board. The ASX Principles and Recommendations require the board "satisfy itself that the risk management framework deals adequately with contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change" (ASX Corporate Governance Council, 2019, p. 27). Enhancements to governance practice is required to for a board to gain appropriate assurance over risks. Catastrophic bank failures in 2008 were attributed to operational failures where individuals with knowledge of risks were not connected to individuals who had the incentive and power to take corrective action (Okes, 2019; Turnbull & Pirson, 2012). Despite the lessons from 2008, the 2019 Hayne Royal Commission in Australia identified organisations with extensive risk management practice, where boards had been unable to procure corrections to known issues, or to mitigate financial and non-financial risks within their operations (Davis, 2019).

Boards have a role in, not only for setting risk appetite, but procuring and assuring governance frameworks that enable their organisations to create value effectively on the unavoidably risk-laden battlefield of 21st century challenges. Further exploration of fiduciary duty from the perspective of optimised engagement with risk, opportunity and emerging challenges may help to clarify debates in this area, and further our understanding of corporate governance.

2.5.5. Sustained value versus short-termism

The UN's Sustainable Development Goals (Rasche & Waddock, 2014; UN Global Compact, 2014), the European Commission's promotion of long-term investment, and other major global initiatives identify corporate governance as a foundation for necessary global sustainability (Freudenreich et al., 2019; Johnston & Morrow, 2015).

However, we continue to see organisations diverting funds to shareholders and executives at the expense of investing in the long-term future of the company (Kaplan, 2018; Nikolov, 2018). This is seen to be unacceptable, not simply because it is amoral and inequitable, but because it is incapable of acting on the essential purposes of corporations defined as the delivery of long-term value in financial, social, environmental and ethical terms (Clarke, 2016a; Clarke et al., 2018).

Without due oversight, it has been observed that for management decisions, the short-term market value counts more than the long-term health of the firm (Clarke et al., 2018; Segrestin & Hatchuel, 2011), and that "short-termism prevails and investments in productive capability diminish" (Lazonick et al., 2016). 78% of surveyed executives would "give up economic value in exchange for smooth earnings" conforming to quarterly reporting expectations (Graham, Harvey, & Rajgopal, 2005, p. 2). And, it has been observed that management focuses on solving immediate organisational problems rather than considering longer-term external changes and trends (Garratt, 2017).

Yet, outside of discussion on long-term incentive packages for senior executives, there is little discussion of how governance practices might enable boards to procure, monitor and direct, let alone assure, that sustainable outcomes are achieved (Nicholson & Cook, 2009). There is much talk of short-termism, yet the widespread efforts to measure sustainable practice does little to identify material issues, or differentiate between organisations in practice or performance (Larcker & Tayan, 2019).

The problem of short-termism is now so acute that it is prompting discussion between the US SEC, the Trump Administration and others as to whether the US requirement for quarterly reporting is adding to the problem, and should be reduced to a semi-annual basis (Eaddy, 2019; Fried & Wang, 2019).

In owing a primary duty of care to the sustained success of the organisation itself, boards need to assure the prioritisation of sustained value over short-term measures, and the diversion of funds from purpose. In practice there will be a purposeful reason for shareholder and executive payments, but directors have a duty of care to ensure these are deliberatively and optimally balanced amongst the variety of purposeful outcomes.

Fiduciary responsibility for optimising sustained value requires skill and discretion to balance a broad range of interests across short, medium and long-term outcomes (Florini & Pauli, 2018; Kiel, Hendry, & Nicholson, 2006). Regulatory compliance, stakeholder interests, organisational culture, sustainability, service delivery and many other necessities need to be considered in terms of their contribution to the ongoing and sustained success of the organisation (Sewchurran, Dekker, & McDonogh, 2019).

Demand for organisations to take a longer-term perspective to sustained performance, including purposeful non-financial outcomes, are coming from the community, investor and even CEO forums (Fink, 2019; Tomlinson, 2018; Veldman, Gregor, & Morrow, 2016; Youmans & Tomlinson, 2017). And, there are suggestions these demands lead to better performance (Harford, Kecskés, & Mansi, 2018). Various institutional responses including integrated reporting and its concept of integrated thinking, seek to promote on the creation of value balanced over the short, medium and long-term (Barth, Cahan, Chen, & Venter, 2016). But unfortunately, there is no detailed map of how to achieve it (Feng et al., 2017).

Boards have a responsibility, not only for preventing short-termism in their own decision-making, but for procuring and assuring frameworks that oversight and govern the organisation’s decision-making as it balances investments and outcomes (Coulson-Thomas, 2018b). Further exploration of fiduciary duty from the perspective of assuring sustained value creation and resisting short-term pressures, may help to clarify debates in this area, and further our understanding of corporate governance.

2.5.6. Exogenous pressures

This thesis looks primarily at endogenous pressures, exploring the potential for improved governance engagement and decision-making within increasing complexity inside the organisation. However, this must be understood in the context of increasing external pressures that add to that complexity (Baret & Helfrich, 2019; Damert & Baumgartner, 2018). There has been a major increase in shareholder’s and society’s expectations on commercial, community and government organisations (Tricker, 2015), and a corresponding diminution of public trust. This subsection explores the wide range of pressures from an increasing regulatory burden, ESG measures, active and activist shareholders, reporting requirements, and changing operating and market conditions.

2.5.6.1. Increasing regulatory compliance

A range of compliance regimes has been introduced over the last two decades, including through regulation, exchange guidance, industry self-regulation, and principle-based and framework guidance from a range of institutional sources. They have been introduced as a result of financial crises, failures, scandals, rising public frustration, and an increasing populist urge to be tough on the misdemeanours of an elite of executives and directors (Berger et al., 2016; Haynes et al., 2019; McNulty et al., 2005).

They cover a wide range of issues, with the 2019 ASX Principles and Recommendations observing the board needs to satisfy itself concerning culture, values and trust and the issues associated with “conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change” (ASX Corporate Governance Council, 2019, p. 27). Emerging issues are increasing directors’ accountability and liability (Huggins, Simnett, & Hargovan, 2015; Page, Kaur, & Waters, 2017), and consequently, their need for oversight through enhanced governance frameworks (Clarke, 2019).

Guiding and facilitating this paradigm shift in corporate sustainability is a vast array of international and civil institutions focusing on different elements of the transformation process. They have produced an explosion of principle-based guidance and national codes of corporate governance for both companies and investors carrying varying degrees of legal and regulatory weight (Chai-Aun et al., 2016; Cuomo et al., 2016), although how they add value to, or improve outcomes from, organisations is still a matter of debate (Machold & Price, 2013). Coercive initiatives are considered by some to have been relatively successful (Bhagat & Bolton, 2013), although others disagree (Romano, 2005). There are indications that larger companies are more able to respond (Garcia, Mendes-Da-Silva, & Orsato, 2019).

Directors have a role in assuring appropriate governance mechanisms are in place to engage, respond to, and balance these calls. Further exploration of the increasing requirements of regulatory compliance may help to clarify debates about the nature of fiduciary duty, and advance our understanding of corporate governance.

2.5.6.2. ESG and other measures

Stakeholder pressures from the $96Tn of institutional investors (or 50% of the total global institutional asset base) who have signed up to the United Nation's Principles for Responsible Investment, as well as initiatives from other institutions, are making Environmental, Social and Governance (ESG) issues a hot topic in governance practitioner and academic circles (Friede, Busch, & Bassen, 2015; Lokuwaduge & Heenetigala, 2016; Young, 2013a, 2013b). ESG measures and reporting standards are becoming enshrined in practice and industry-based regulation (Adams, 2017; Flynn, Nixon, Gross, Daniels, & La Franchi, 2007; Mervelskemper & Streit, 2016; Verheyden, Eccles, & Feiner, 2016).

Whilst 90% of empirical studies in a meta-study of 2000 papers identified a non-negative relationship between ESG and firm performance (Friede et al., 2015), the diversity and variability of measures makes comparison impractical (Brooks & Oikonomou, 2018). The range of ESG measures and guidelines is large and growing. Focus ranges from large-scale government engaged measures against climate change, through to anti-slavery, gender equality, pollutants and plastics (Clarke, 2019). The International Organization of Securities Commissions (IOSCO) suggest there are over 1500 frameworks 'in the market', and it is increasingly difficult for boards to determine which set of frameworks to adhere to (Cuomo et al., 2016; Friede, 2019; Rowbottom & Locke, 2016; Yamahaki, 2019).

The governance metrics within ESG are inconsistently measured, but usually fall back to the usual suspects associated with prevailing governance theories, with little evidence of their ability to address the motivating issues (Larcker & Tayan, 2019; Machold & Price, 2013). Future-oriented investment practitioners (Kiernan, 2001, 2006, 2007; Kiernan & Levinson, 1997) are interpreting ESG as sustainability beyond the environmental impact of a company's activity, towards a business' preparedness for climate change, digital disruption, global competition and other pressures (Eccles, Serafeim, & Krzus, 2011). Others see it through the lens of social equality, the sustainability of democratic systems, and universal impact of the need to operate society within one planet's finite resources (Clarke, 2016a; Clarke et al., 2018).

Directors have a role in assuring appropriate governance mechanisms are in place to engage, respond to, and balance these calls. Further exploration of the increasing requirements of ESG and other measures may help to clarify debates about the nature of fiduciary duty, and further our understanding of corporate governance.

2.5.6.3. Markets, active investors and activist shareholders

The pressure placed on corporate boards from investor stakeholders is also in flux. The public theatre of the AGM is increasingly focused on populist issues such as executive pay (O'Rourke, 2003). More sophisticated, and often private, dialogue between CEO, CFO and chair with major institutional investors, analysts and proxy advisors (Young, 2013b) are where the majority of investment-guiding opinions of the capability of a firm's executives are formed (Delsen & Lehr, 2019; Gond & Piani, 2013).

Growth and concentration in the Australian superannuation industry (Clarke, 2018; Connolly, 2007; Maddock, 2014; Nicholson & Cook, 2009) and global investors (Drucker, 1991; Goranova & Ryan, 2015; Pargendler, 2016) is increasing the strength of the investor voice for sustainable investment outcomes (Clarke, 2019).

Many large scale investors are seeing themselves as socially responsible investors and active investors (Yan, Ferraro, & Almandoz, 2019). They are looking at a variety of perspectives including long-term outcomes, and a universal investor view that considers the impact that one organisation's externalities have on the success of its neighbours (Yamahaki, 2019). They are considering their own role in global environmental sustainability, ongoing health and equity issues within society, and the broader issues of sustainability of capitalism, democracy and human existence on a finite planet (Clarke, 2016a, 2019; Khlif et al., 2019; McNulty & Nordberg, 2016). This is reflected in principle-based guidance on stewardship frameworks from industry, and regulation from governments.

Meanwhile activist investors (as opposed to active investors) with either social agendas or financial self-interest are using a variety of social, individual or class-action legal, take-over threat, and other pressures to get their agendas followed (Artiga González & Calluzzo, 2019; deHaan, Larcker, & McClure, 2019). Boards are frequently ill-equipped to state or defend a counter-argument (Goranova, Kim, Ryan, & Shropshire, 2018; Taylor, 2007). Some voices have sought to enshrine shareholder rights by equating them with democratic principles (Buchholtz & Brown, 2015). Shareholder empowerment is seen paradoxically as both the remedy to corporate ills and a voice of evil (Goranova & Ryan, 2015; Jones & Keevil, 2015). It is recognised as a pressure to short-termism, and the same time as monitoring by long-term oriented investors is found to strengthen governance and generate decision making that maximises shareholder value (Harford et al., 2018). The investors' voice is still deeply divided (Sikavica & Hillman, 2015). The use of sustainable non-financial measures in investment decisions still in the minority (Friede et al., 2015), and conflicting and loosely defined requests continue to be delivered into corporate boardrooms (Brest, Gilson, & Wolfson, 2018).

Directors have a role in assuring appropriate governance mechanisms are in place to engage, respond to, and balance these calls. Further exploration of the changing behaviours of markets, active investors and activist investors may help to clarify debates about the nature of fiduciary duty, and further our understanding of corporate governance.

2.5.6.4. Reporting

It is uncontroversial to observe the board's role in assuring their organisation's market-oriented reporting. It is a legally enforced mandate in most jurisdictions. The standardisation of financial reporting, developed through between companies, investors, regulators through global collaborative institutions is well known.

Reporting, like so many other parts of the system is in flux. There is an increasing drive to specifying reporting requirements that focus on supporting investors interested in the long-term, not just short-term trades (Garratt, 2017; Nicholson & Cook, 2009). Shareholder as primary recipients of reporting is in question, with observations that shareholders account for a small minority of an organisation's capital (King & De Beer, 2018). And myopic financial perspectives are also in question, with the observation that market capitalisation on major stock exchanges has transitioned from 80:20 book value to intangible value, to the reverse over the last 40 years (King & De Beer, 2018).

Non-financial reporting for internal and external use, such as double-bottom-line (Wilburn & Wilburn, 2014) and triple-bottom-line (Elkington, 2004; Norman & MacDonald, 2004; Willard, 2012) reporting has emerged. Strategic planning methodologies have followed including the Balanced Scorecard (Kaplan & Norton, 1996), and Corporate Dashboards which broaden engagement with multiple objectives (Culbertson et al., 2007; Thomas, Schrage, Bellin, & Marcotte, 2019), whilst Three Horizons (Curry & Hodgson, 2008) brings a stronger time element into strategic thinking practices.

More recently, the International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) and others (deVilliers, Unerman, & Rinaldi, 2014; Eccles & Saltzman, 2011; Schooley & English, 2015; Thomas, 2019), have championed standardisation of multiple-bottom-line and business model reporting as enhancements to external market reporting. This is intended to bring focus to decision-making for the creation of value over the short, medium and long-term (Adams, 2015; Baret & Helfrich, 2019; Barth et al., 2016). The Corporate Reporting Dialogue is now seeking to align these to a single framework (La Torre et al., 2019).

These initiatives aim to improve the quality of information available to providers of financial capital and communicate the full range of factors that materially affect the ability of an organization to create value over time within complex operating environments. Global accounting standards body IAASB has issued consultation papers towards developing non-authoritative guidance on applying assurance standards to 'Extended External Reporting' (Lu, Simnett, & Zhou, 2019; Thompson, 2018a). So far there is little research to demonstrate the extent to which this information facilitates decision making at the board and the achievement of organisational performance goals.

The board has a role in assuring the reporting and communication from the organisation. It will continue to do so as new reporting matures. Boards have the opportunity to disclose relevant and meaningful information that leads the dialogue and engagement with their stakeholders (Crifo, Escrig-Olmedo, & Mottis, 2018). "Transparency with owners and society is impeded when the board does not make its values explicit and available, or allows the management of information or performance to be hidden" (Carver & Oliver, 2002, p. xxiii).

The assurable and reliable reporting of the organisation's value creation towards purposeful outcomes provides a basis for meeting heightened expectations of accountability for directors (Brown, Buchholtz, Butts, & Ward, 2019). Meaningful accountability is a fundamental part of a viable economic system. "Power without accountability always becomes flabby or tyrannical, and usually both" (Drucker, 1991, p. 114).

Directors have a role in assuring appropriate governance mechanisms are in place to respond to and balance these calls for enhanced external reporting. Further exploration of the changing requirements of external reporting may help to clarify debates about the nature of fiduciary duty, and further our understanding of corporate governance.

2.5.6.5. Market and operating conditions

The nature of business itself is changing as is the nature of government and community services. These fundamental shifts have implications for governance that have not yet been resolved in theory or practice (Coulson-Thomas, 2018b).

The shifts have been described variously in terms of the knowledge economy (Bogoviz, 2019), technology and digital disruption (Fraussen & Halpin, 2018; Skog, Wimelius, & Sandberg, 2018), globalisation (Hirst & Thompson, 2019; Perraton, 2019), sustainable development imperatives (Parnell, 2018), the need for inclusive capitalism (Cort, 2018; Hall, Ashford, Ashford, & Arango-Quiroga, 2019), a fourth industrial revolution (Philbeck & Davis, 2018; Xu, David, & Kim, 2018) and other labels.

Continual accelerating shifts describe the new operating environment using the term VUCA, meaning constant volatility, uncertainty, complexity and ambiguity (Dalko & Wang, 2018; Dhir, 2018; Fawcett, 2018; Fleming & Millar, 2019).

Directors have a role in understanding the implications these fundamental changes to business practice will have on their governance mechanisms. And, they have a requirement to enhance their governance practices appropriately in response. Further exploration of the changing nature of market and operating conditions may help to clarify debates about the nature of fiduciary duty, and advance our understanding of corporate governance.

2.5.6.6. Summary

Rising expectations from these different external pressures tends to focus directors towards transactional compliance matters, leaving little time for the board to consider broader strategy, governance practice or sustainable value creation issues (Héroux & Roussy, 2019; Wintoki, 2007). Increasing legal exposure for directors, arising from increased obligations and compliance, has made board activities more complex and provided the potential to subordinate the organisations' needs to the needs of protecting the director from liability. It has been suggested this makes directors more risk-averse, as to be so consumed by compliance with regulations, standards, legislation, and mandates that they will be unable, or forget, to govern (Orlikoff, 2005), and that this "likely reduces the innovative potential of a significant portion of public companies" (Shadab, 2008, p. 956).

Boards have a role in balancing, and appropriately assuring, within increasing complexity, across all of the many different external pressures, expectations and compliance requirements of the organisation (Adams, 2017; Baret & Helfrich, 2019) that must be met in the optimised pursuit of the organisation's purposeful objectives (Khlif et al., 2019). Further exploration of fiduciary duty from the perspective of the wide range of external pressures may help to clarify debates in this area, and further our understanding of what corporate governance seeks to achieve.

2.5.7. Influence of the board

There is a great deal of misunderstanding amongst non-practitioners about the function of the board, the scope and application of governance practices, and what boards, within their constraints, are realistically able to achieve (Barney, Wright, & Ketchen, 2001; Sanchez et al., 2017; Stiles, 2001). Practitioners and advisors differ in opinions on where board powers should be exercised, the role of the board in strategic decision-making

(Judge & Talaulicar, 2017), and where board involvement crosses a line into the realms of management responsibility (Browning, 2012; Garg & Eisenhardt, 2016). Prudent independent enquiry for one director may be seen by others as meddling and undermining the authority of the CEO (Carver, 2011; Edwards & Clough, 2005; Zahra & Pearce Ii, 1990). The ‘noses in, fingers out’ prescription fails to adequately define appropriate border-lines for director interaction (Garland-McLellan, 2015).

A disarmingly simplistic perspective on the role of the board highlights the management axiom, ‘people do what is measured’ as an attention-based view of firm behaviour (Joseph & Wilson, 2018; Van de Ven & Engleman, 2004). This suggests a board role is to consistently measure what is important to the organisation, thus ensuring that it is done.

However, a board’s capacity to engage what is important to an organisation has been called into question (Roy, Roy, & Bouchard, 2017). There is high complexity to the task that operates within constraints of information asymmetry. Directors are retained for six to twelve meetings per year totalling 20-30 days of focus, concurrently serving commitments to other demanding jobs (Brennan, Kirwan, & Redmond, 2016; Taylor et al., 2008).

Further, it has been observed that long-term viewpoints result in better long-term performance (Barton & Wiseman, 2014). This suggests that those boards whose governance materials effectively provide the board with superior measures and superior insights for long-term value creation should be more likely to deliver superior performance.

However, there has been little research that looks at the primary data of the materials presented at, or demanded by, the board (Cornell, 2003; Crombie & Geekie, 2010; Crow & Lockhart, 2016; Johanson, 2008). And there has been little exploration of information paucity investigating whether management, executive and board all lack access to sufficiently insightful and relevant information to focus on sustainable value creation issues. This is explored in study three, four and five of this thesis.

There is growing consensus that research linking corporate governance to sustainability performance may require theoretically pluralistic approaches to understanding the multifaceted ways in which directors impact organisational outcomes (Sanchez et al., 2017). This is argued even while there is continued debate about the extent to which a board can influence performance (Dalton, Daily, Johnson, & Ellstrand, 1999; Finegold, Benson, & Hecht, 2007; Johnson et al., 1996; Sanchez et al., 2017). Further exploration of fiduciary duty from the perspective of the mechanisms by which the board influences the organisation it serves, and the limitations of that influence may help to clarify debates in this area, and further our understanding of corporate governance.

2.5.8. Assurance

The board has a vital role procuring assurance that the information it uses, that is used within the organisation, and that is provided for market, regulatory and stakeholder communication is consistent, reliable and high quality. In financial governance, the assurance of appropriately implemented quality processes is verified through mature and universal applied internal and external financial audit practices (Barišić, Novak, & Žager, 2019; Martino, D'Onza, & Melville, 2019). "The effective review of internal and external auditing; the quality of financial reporting; holistic risk management and internal control; IT governance and communication as well as legal and ethical compliance are some of the most important board tasks" (Hilb, 2011, p. 534).

Whilst mature, and widely applied, these basic building blocks of financial governance are still flawed. In the UK, Sir Donald Brydon's review of the quality and effectiveness of the audit suggested that the result must be a more useful and forward-looking audit. Assurance of future-looking aspects of multi-bottom-line reporting is harder still with little research or practitioner guidance available (Corrado, Demartini, & Dumay, 2019; Kılıç, 2018; Wang, Zhou, & Wang, 2019). It seems logical that the board is likely to become responsible for assurance of future-oriented, multi-bottom-line outcomes as adoption is driven by external forces.

But this issue goes beyond the assurance of external financial reporting. Governance has a role in assuring evidence-based decisions leading to appropriate action and optimal outcomes throughout the organisation. Study of the extreme conditions of information assurance, risk management and decision support in a cyber-security setting may provide indication of decision support in complexity for other sustainability governance challenges (Eaton, Grenier, & Layman, 2019; Farooq & de Villiers, 2019; Hibshi & Breaux, 2019; Hummel, Schlick, & Fifka, 2019). In complexity, the board may now need the means to procure assurance on the effective implementation of the set of governance controls appropriate to an organisation's business.

Using assurance approaches in governance, Boards will need to have complete access to verifiable evidence-based guidance, to prevent being exposed by the foibles of existing approaches. Even in today's core challenges, we are told that "Powerful CEOs can limit board involvement in strategy by controlling access to information and key people" (Hendry, Kiel, & Nicholson, 2010, p. 50).

The board has a role in procuring assurance over financial and non-financial data, and the fit-for-purpose governance controls that guarantee its data quality. Further exploration of fiduciary duty from the perspective of the board's role in procuring assurance, and the impact that assurance has on effective performance may help to advance our understanding of corporate governance.

2.5.9. CEO selection, remuneration, incentives and culture

The board's role in the selection of a CEO is considered to be one of the most important of the board's decisions (Charan, 2016). With increasing economic volatility and uncertainty, there has been an increasing cult of personality around the CEO, inside and outside of the organisation (Charan, 2009) and skyrocketing CEO salaries, that has been described as a "paradoxical outcome of agency theory and shareholder value" (Clarke et al., 2018, p. 2). There is little that links these stellar reputations and astronomical remuneration to the actual performance of the company in most instances (Blair, 2012; Clarke et al., 2018; Page, 2018), with bonuses, frequently paid despite poor performance (Bebchuk & Fried, 2003; Collins, Fleischman, Kaden, & Sanchez, 2018; Larcker & Tayan, 2019), and failure to build capability for the longer-term (Lazonick, 2016). There is both a push to, and an argument over the effectiveness of, equity-based incentives (Clarke et al., 2018; Hilb, 2011), increases in the term over which they should vest (Kokkinis, 2019), and inclusion of non-financial measures (Cho, Ibrahim, & Yan, 2019). If this is one of the most important decisions, it would appear that boards are getting it wrong (Goranova & Ryan, 2015).

In looking at the broader scope of executive pay, staff incentives and their role in steering culture, it is appropriate to ask if staff are incentivised to do the right thing. There is research indicating that purpose and shared mission are stronger motivators than financial incentives (Machado & Bowling, 2016), and questioning if senior executives should share common incentives to avoid being perversely misaligned (Gartenberg, Prat, & Serafeim, 2019; Thakor & Quinn, 2019).

Remuneration and incentives can be summarised in the two epithets 'What is measured is done' where what is done repeatedly becomes the culture, and 'Be careful what you wish for'. Elaborate incentive schemes are creating unhealthy and unintended consequences in culture, but we lack better practice. There are calls for new approaches in practice and theory to incentivise underlying drivers financial and non-financial performance, and management for sustainability, rather than short-term outcomes (Clarke, 2016b; Ikram, Li, & Minor, 2019; Kumar & Zattoni, 2018b).

The board has a role in setting the culture, and aligned motivation in the organisation based on measuring, incentivising and rewarding the right behaviours. Further exploration of fiduciary duty from the perspective of aligning incentives to sustained value creation objectives may help to clarify debates in this area, and further our understanding of corporate governance.

2.5.10. Summary

This section has taken a first principle look at some of the important concepts underpinning the role of the board and governance in sustained value creation. It provides a knowledge platform from which this thesis develops a perspective of the value creation outcomes that should be better served because of the board's existence. It has explored: (a) the role of the board; (b) optimised stewardship of assets; (c) optimised creation of value; (d) optimised risk, opportunity and new challenges; (e) sustained value versus short-termism; (f) the increasing complexity of exogenous pressures; (g) the limits on the influence of the board; (h) assurance, and finally (i) CEO selection, remuneration, incentives and culture. Its layered exploration of fiduciary duty may help to integrate and clarify debates in this area, and further our understanding of corporate governance.

The knowledge identified in this section of the literature review underpins the first research question:

> RQ1: How do directors perceive fiduciary duty and their role in the context of sustained value creation?

The next section expands further with an exploration of purposeful value with which governance needs to engage.

2.6. **How do Directors Perceive Value? (Literature for Study Two)**

This section first considers value by exploring 'Value for who?' highlighting that different stakeholders consider value differently. The section then looks at financial and non-financial value, and the alignment of public and community sector organisations' governance of value creation with the developments in the corporate sector. The section then considers the time and uncertainty dimensions of value, and finally looks into the value of values and ethics.

2.6.1. Value is in the eye of the stakeholder

Value is increasingly considered from the perspective of multiple different stakeholders (Business Roundtable, 2019; Freudenreich et al., 2019; Kujala et al., 2019). There is momentum away from several decades ruled by the notion of shareholder primacy and pure agency theory approaches, with both practitioners and academics focusing on the interests of a wide variety of stakeholders (Bundy, Vogel, & Zachary, 2018; Clarke, 2014; Klettner, Clarke, & Boersma, 2014; Pérez & Rodriguez del Bosque, 2016).

The singular shareholder-as-beneficiary focus is overly simplistic, damaging to the organisation's existence, and leads to behaviours that undermine sustainability (Clarke et al., 2018; Garratt, 2017; Lieberman et al., 2017; Segrestin & Hatchuel, 2011). The notion that all shareholders have the same objectives and can be served by the same short-term outcomes is problematic (Clarke et al., 2018; Della Croce, Stewart, & Yermo, 2011; Lieberman et al., 2018; McNulty & Nordberg, 2016; Nicholson & Cook, 2009).

Stakeholders include direct stakeholders such as staff, clients, suppliers (Boukis, 2019; Pierce & Velliaris, 2019) and indirect stakeholders including communities, economies

(Grifell-Tatjé, Lovell, & Turon, 2018) and environment. Stakeholder perspectives have also been applied to the universal view of the planet as a stakeholder, whose sustainability needs must be accounted for now, to secure the long-term survival of humanity (Venkataraman, 2019).

Continued failures to account for stakeholder externalities undermine an organisation's licence to operate, and also threaten the sustainability of economic systems (Clarke, 2019; Clarke et al., 2018; Garratt, 2017; Robé, 2011). However Garcia-Castro and Aguilera (2015, p. 1) observe that "Further advancements in this field are arguably impeded by an incomplete conceptualization and measurement of value and by scant characterization of the different patterns of stakeholder value appropriation".

Stakeholder value is found in many different forms including workplace conditions, economic flow to families and communities, deliberative social programs, environmental regeneration and the servicing of cocreation partnerships (Best, Moffett, & McAdam, 2019; Boaventura, Bosse, de Mascena, & Sarturi, 2019). No stakeholder has automatic priority over others. Rather, optimising the achievement of purpose depends on the ability to balance stakeholder satisfaction (Donaldson & Preston, 1995; Jawahar & McLaughlin, 2001). Balancing stakeholder value-outcomes is a core role of governance, The board must continually assess which stakeholders are the most important for the successful development of the enterprise (Clarke & Lee, 2019; Huse & Gabrielsson, 2012).

Stakeholder views are getting serious consideration in companies, investor stewardship, and their civil society counterparts (Fink, 2019; Youmans & Tomlinson, 2017). An improved understanding of defining, measuring and evaluating stakeholder value may contribute to our understanding of corporate governance.

2.6.2. Financial and non-financial value

> *We will always need quantification to measure business performance, but in the future do not assume financial figures are the only ones worthy of attention. We are witnessing the evolution to a more integrated set of performance measures and the conceptual shift will mean a complete rethink of the meaning of effective corporate governance (Garratt, 2017).*

It has been argued that a singular focus on creating financial value is demonstrably insufficient, even for listed entities, when one considers that 80% of the world's market capitalisation is represented in off-book value, an increase from just 20% in the last 40 years (King & De Beer, 2018). In non-profit, community and public sector organisations, the need for a broader accounting for non-financial value is clearer still (Best et al., 2019; Cannas, Argiolas, & Cabiddu, 2019).

There are many forms of non-financial value that an organisation may consider in its pursuit of, and accounting for, purposeful value creation (Adams, Potter, Singh, & York, 2016). Integrated Reporting (IR), for example, defines six capitals that present stocks of value that are increased, decreased or transformed through the organization's business activities and outputs. IR's six capitals are financial, manufactured, intellectual, human, social and relationship, and natural capital. IR demonstrates how a company's strategy affects its use of capitals and its ability to create value in the short, medium and longer-term. Its use is intended to result in deeper internal organisational changes, or integrated thinking, where decisions are made in the context of goals for various different forms of value (Adams, 2015; Feng et al., 2017).

Whilst IR looks at six capitals, the United Nations' Sustainable Development Goals (UN SDGs) identify 17 measurable value-goals required for global sustainability (Kawamoto & Kanie, 2020). The UN SDGs are gaining use as value creation measures in some commercial, community, investor and government organisations (Fioramonti, Coscieme, & Mortensen, 2019; Lee et al., 2016). Frameworks intended to assist organisations engage with integrated reporting, UN SDGs and other objectives are emerging to address climate change, pollution, resource usage, water, modern slavery, equity, racial and gender equality, trust in institutions and many others (Clarke & Gholamshahi, 2017; Cokins & Căpușneanu, 2020; Monkelbaan, 2019). Despite its emergent nature, developments in this area are mainstream. There are significant global initiatives such as the Integrated Reporting Council (IRRC), the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board (CDSB), and the Carbon Disclosure Project (CDP) working on defining non-financial value (Clarke, 2019) encompassing frameworks for intangible value, social value, environmental value as multiple 'capitals' that may be disclosed through various forms of 'extended reporting'. Consistency across this field is still an emerging work in progress (Thomas, 2019; Watchman & Papa, 2019).

Assurance across these many value types is under development, with the global accounting standards setter, the International Auditing and Assurance Standards Board (IAASB), recently releasing draft guidance for comment on Assurance of Extended External Reporting (Lu & Wang, 2018). Large-scale organisations are signing up to various of these reporting frameworks, as well as emerging suites of principle-based and regulatory guidelines for extended value outcomes (Bauckloh, Utz, Zeile, & Zwergel, 2019; Fink, 2019; Gond & Piani, 2013). Investor focused groups such as UN PRI, and other stewardship principles are leading investors to build active engagement teams to pass their obligations down to the companies they own (McNulty & Nordberg, 2016).

However, there is low commonality, too many options, loose measurement definitions, no clear guidance, and no evidence that it is yet sufficient to change mainstream decision-making practices or increase the rate of financial or non-financial value creation in organisations (Brest et al., 2018; Fioramonti et al., 2019; Larcker & Tayan, 2019).

A fit-for-purpose integrated governance model should provide guidance on how definition of, measurement of, and assurance of the optimised balanced achievement of a purposeful set of value-outcomes is to be achieved within an organisation, and communicated to stakeholders. Further exploration of value from the perspective of the financial, non-financial and intangible value may help to clarify debates in this area, and further our understanding of corporate governance.

2.6.3. Social outcomes are (everyone's) business.

The majority of literature on governance and its link to value creation is focused on listed companies (Kumar & Zattoni, 2019). Government and community organisation governance research is most frequently undertaken in isolation from corporate research (Browning, 2012; McClusky, 2002; Zollo, Laudano, Boccardi, & Ciappei, 2019).

This subsection observes that in the context of a broader definition of value and stakeholders, the distinction in the governance literature between private, listed, community and government organisations may be overstated (Valentinov et al., 2019; Zanda, 2018). As Carver (2011, p. 1) observes "All boards across, business, non-profit and public have common difficulties in fulfilling their opportunities". Governance theory will not be a one size fits all prescription, but may operate on a coherent framework of fundamental principles implemented to address the specifics of any given board's contextual and cultural particulars (Carver, 2010).

There has been significant recent work on public sector governance and social outcome measures. Developments are occurring within government treasuries, notably in New Zealand's 2019 Wellbeing Budget (Grossi, Papenfuß, & Tremblay, 2015), and in researchers' calls for new approaches to overcome obsolete systems of measurement (Buskey, Goel, & Cain, 2019; Fioramonti et al., 2019; Kroll & Moynihan, 2015; Nicholls, 2018). However, there is little alignment between government and community sector researchers, and developments in corporate and investor-led definition of value, reporting and integrated thinking discussed in the previous subsections (Anderson & Lannon, 2018; Baret & Helfrich, 2019; Feng et al., 2017).

Amidst calls for greater public sector productivity and integrity and a generational loss of trust in government and community organisations, it is observed that better governance could lead to greater integrity and improved communication between public institutions and the public in the stead of an owner (Bellante, Berardi, Machold, Nissi, & Rea, 2018; Carver, 2001b; Nicholson, Newton, et al., 2012; Pinto, Lopes, & Matos, 2019). Instead we hear that not-for-profit organisations are ineffectual at demonstrating the impact of their work, and are unforgivably ineffective in performance as a result (Argenti, 2018).

This subsection also observes a blurring of the lines between public, community, corporate and investor outlooks (Porter & Kramer, 2019) arising from trends towards small government (Pargendler, 2016). Public services and infrastructure are increasingly delivered, not by government, but by community organisations and corporations, and funded by investors (Adams, Frost, & Webber, 2013; Best et al., 2019). These may be funded by government contract, or may arise as the independent initiative of community or corporate organisations. Social impact investors are providing capital through a variety of contractual, financing or regulatory arrangements, and from their own social initiatives (Barber, Morse, & Yasuda, 2018; Berndt & Wirth, 2018).

This subsection further observes that the sustained achievement of social outcome improvement is fundamental to the purpose of government, community and commercial organisations (Kroll & Moynihan, 2015). It is variously recognised by companies and investors under various terms including Corporate Social Responsibility (CSR) (Albuquerque, Koskinen, & Zhang, 2019; Dyck, Lins, Roth, & Wagner, 2019), corporate citizenship (Crane, Matten, Glozer, & Spence, 2019; Eiró-Gomes, Raposo, & Simão, 2019) and social license to operate (Saenz, 2019; Vanclay & Hanna, 2019).

The need for communication, community participation and mission attachment to address complex social and health issues (Bailey, 2019; Brown, Hillman, & Okun, 2012; Sauerwald & Su, 2019) adds impetus to remove arbitrary barriers between governance thinking across different sectors, jurisdictions and organisational forms (Florini & Pauli, 2018; Garratt, 2017). Fit-for-purpose governance assuring reliable oversight of all corporate and community participants, will enable the trustee-steward role of government, aligned and productive delivery, and informed accountability in the hands of public beneficiaries (Gazley & Nicholson-Crotty, 2018; Khlif et al., 2019).

Given their breadth and complexity, social outcomes are a special class of non-financial measure for business, government, community and investors. A fit-for-purpose integrated governance model should provide guidance on how definition of, measurement of, and assurance of the optimised balanced achievement of a purposeful set of social outcome measures are to be achieved. Further exploration of value from the perspective of different organisations' production of social outcomes may help to clarify debates in this area, and further our understanding of corporate governance.

2.6.4. Value: Time and certainty dimensions

The prior Section 2.5.5 explored directors' duty to prioritise sustained performance over short-term objectives. This subsection develops understanding of a board's need for engagement with, and governance of the time and certainty aspects of value.

An assessment of value will change over time as there is increasing certainty of achievement of outcomes, the status and impact of externalities, and a growth of experience and expertise. There is little evidence of fit-for-purpose theory or practice to govern how value develops (or diminishes) over time as the certainty of achieving objectives is increased, or decreased through learning, experimentation, experience and changing conditions (Dyer, Singh, & Hesterly, 2018; Lieberman et al., 2018; Nicholson & Cook, 2009). The governance literature also carries little discussion on the need to resolve the seeming dichotomy between the needs to govern long-term objectives, at the same time as accelerating to deliver fast-moving responses to threat and opportunity. Research from the public sector perspective suggests that "time and acceleration have remained at the periphery of debates about the theory and practice of governance", recommending that governance research should undertake "more conceptual work… to unpack and problematize the boundary between fast and slow time" (Fawcett, 2018, p. 367).

The relationship of time and certainty to value is illustrated in the perennial issue of the gap between strategy and execution. Strategy plans for, and predicts, future outcomes. It is used as the basis for approving capital and operational funding. However, once it is started, the oversight over the different, ever-moving timeframes of component parts of strategy, and the increased certainty in (good or bad) outcomes learned on the path are rarely used in continuous oversight, and governance direction (Olivier & Schwella, 2018; Sibiya & Subban, 2018; Yang, 2019).

What is lauded in management literature as strategic agility (i.e., adapting the organisation in response to deliberative learning, innovation and experimentation) is largely untouched in governance practice or literature (Hämäläinen, Kosonen, & Doz, 2012; Holsapple & Li, 2008). And yet, this is exactly where governance needs to focus to engage value creation (Doz & Kosonen, 2010). Value creation lives in massively complex portfolios of action, learning and response that sifts for value, capability building, and timely intersection with market opportunity.

Boards focus intensely on risk frameworks, but rarely consider developing movements of certainty (Regine, 2017), nor its alignment to strategic objectives. This gap has been explored as intended strategy versus emergent strategy (Crombie & Geekie, 2010; Simons, 1994) and governance engagement with management of benefits realisation (Tillmann, Tzortzopoulos, & Formoso, 2010). Net Present Value (NPV) and Discounted Cashflow Forecasts (DCF) are approaches that can be used to encompass advanced risk and uncertainty mitigating practices in periodic valuation of value creation (Mohammad & Kristiansen, 2016; Montajabiha, Arshadi Khamseh, & Afshar-Nadjafi, 2017). However, they are infrequently and inconsistently applied, predominantly in initial project assessments. They appear only crudely on balance sheets, most frequently observed in significant write-downs, or occasionally in software development settings (Ahmad, Lwakatare, Kuvaja, Oivo, & Markkula, 2017). Their extensions in portfolio or pipeline management, product lifecycle management, or governance of benefits realisation and other techniques are largely unconnected to governance practice or literature (Belz & Giga, 2018; Fink, 2016; Walton, Grieves, Sandall, & Breault, 2016), or are used in silos in property development (Szumilo, Gantenbein, Gleißner, & Wiegelmann, 2016) or pharmaceutical sectors (Ahn, York, Wu, Suharto, & Daim, 2015; Ottoo, 2018). It has been observed that “a company with good governance won’t always refrain from making bad decisions... (However, its) use of DCF models… forces management to translate its vision into specific numbers that show how shareholder value will be created, and it forces the board to continually monitor and evaluate those numbers in light of ongoing financial performance” (Cornell, 2003, p. 72).

Value over time, appreciating or diminishing through learning, testing, innovation and experimentation is rarely captured into governance frameworks that empower ongoing decision-making. There is a gap in governance theory, and practice in the integration of available disciplines and models. It leaves boards blind to the value creation occurring in their organisation, and leaves governance theory disconnected from the activities of value creation.

A fit-for-purpose governance model should provide guidance on definition of, measurement of, and assurance of the various time and certainty aspects of sustained value creation so that future value creation can be periodically observed over time, and decisions made in the presence of such insight. Further exploration of value from the perspective of time and certainty may help to clarify debates in this area, and further our understanding of corporate governance.

2.6.5. The value of values and ethics

The values and ethics of an organisation can be said to be intrinsic to its purpose. Defining values in a meaningful way, as part of purpose, expresses the aspirational personality of the organisation as legal person (Donaldson, 1982; Strudler, 2015). It is up to the board to procure assurance that the organisation is living up to its purposeful aspirations. However, there is no accepted standardised list of ethical principles for organisations. Without due care, organisations can end up with motherhood statements around well-intended concepts such as honesty, integrity, trustworthiness, fairness, concern for others, respect, legality and excellence (García-Sánchez, Rodríguez-Domínguez, & Frías-Aceituno, 2015).

Despite falling outside many governance models, values can carry significant intangible value (Gambetti, Melewar, & Martin, 2017). Values may play a significant role in brand-value, client retention, risk governance, market access, social license, government licenses, and retention of skilled staff (Freeman, 2016; Guiso, Sapienza, & Zingales, 2015).

Setting ethical standards is the province of the board, and a system of governance should be able to be applied whether the organisation’s purpose falls within, or outside of the norm. A generalised model for governance should not constrain what values an organisation can hold (MacHold et al., 2008). Compliance to the law may seem an obvious mandatory bottom line. However, it has complexities for multi-nationals and NGOs working across different political systems (Ong, 2017). Further, a military force is deliberatively lethal, yet can deliver better societal outcomes, for its home stakeholders, and arguably for its target stakeholders, from better governance (Hersh, 2017).

The literature in this space predominantly tends towards descriptions of corporate cultures that cannot be easily measured, equated to outcomes, or quantifiably altered through action (Caulfield & Laufer, 2019; Dempsey, 2015). Aside from Carver (2001a)’s standout work on Ends and Means, defining values through the board’s definition of proscribed behaviours (Carver & Carver, 2011), there is little in theory or practice to provide practical and comprehensive guidance to directors.

A fit-for-purpose integrated governance model may need to provide guidance on how definition of, measurement of, and assurance of an organisation’s purposeful values is to be achieved. Further exploration of value from the perspective of assurance of the achievement of an organisation’s values may contribute to our understanding of corporate governance.

2.6.6. Summary

This section informs the five research studies in this thesis through an exploration of the basis by which value can be understood.

It has shown that the literature has an broad understanding of value, and yet, that the governance of value largely lacks a holistic and integrated view. There are many incisive, but fragmented studies that utilise different value perspectives. This supports the need for a broader view of value required to achieve purpose, and the need for enhanced governance practice and theory. However, there are gaps in the literature for a consistent and comprehensive model that would enable theory or practice to engage these concepts within the optimisation of sustained value creation. This section's layered exploration of value may help to integrate and clarify debates in this area, and advance our understanding of corporate governance.

The knowledge identified in this phase of the literature review underpins the second research question:

> RQ2: How do directors perceive value?

The next section expands further with an exploration of the practices contributing to value creation.

2.7. **Value Creation (Literature for Study Three)**

If systems of governance are intended to optimise value creation, it is vital to understand the factors that are involved in the creation of value (Hilliard, 2019). The concept of board perspectives on the factors of value creation is explored in the third study through the research question "How do directors perceive the factors contributing to value creation?".

Consistent with an integrated multi-disciplinary study, this review examines both corporate governance literature, and relevant literature from supporting discipline areas including law, accounting, economics and management.

This section first considers the factors of value creation relevant to emerging knowledge economy and digital economy opportunity. Second, the chapter looks at understanding of the portfolio of activities required to create value, and the literature on strategy and strategic agility. And finally, this section looks at contributing factors of an organisation's capacity for internal and external insight and foresight.

2.7.1. Knowledge economy and digital economy opportunity

The old forms of growth are seen to be under threat, with slowing global economic growth, reducing government budgets, flatlined corporate investment, and poor outcomes from traditional merger and acquisition activity (Chang, 2012; Fouquet & Hippe, 2019; Gourio, 2019). Instead, knowledge and innovation are now at the centre of world economic development (North & Kumta, 2018), and the engine of growth in OECD countries, where more than half of GDP is now accounted for by knowledge and service-based industries (Clarke & Gholamshahi, 2017; Thompson, 2018b). Few organisations look like a factory anymore. Wealth generation is based on the ability of the organisation to put knowledge-based skills to effective use (Blair, 1996). Knowledge is seen as a strategic weapon (Bolisani & Bratianu, 2018). The fundamental disruptive shifts underway, and the scale and ubiquitous nature of change, are being described in historical terms as a fourth industrial revolution (Philbeck & Davis, 2018; Xu et al., 2018).

Successful organisations of the fourth industrial revolution will support experimentation the adoption of new technologies, both of which are underpinned by the capacity to be flexible, cautious and alert (Lee et al., 2018). Much has been written on the technologies and 'jobs of the future' skills requirements (Petrillo, Felice, Cioffi, & Zomparelli, 2018), but there is little exploration of the characteristics of successful governance in this context.

What is clear in this context, is that opportunity is no longer centred on investment in machinery and physical assets oriented to the production of tangible goods. Opportunity is instead characterised by digital and knowledge services, non-financial and non-physical product outputs, and the generation of intangible assets including ideas, skills, and networks of human capital (Barton, Carey, & Charan, 2018; Clarke & Gholamshahi, 2017; Clarke & Lee, 2017). It is therefore necessary to reconsider how governance operates within this context (Garratt, 2010; Martin, Farndale, Paauwe, & Stiles, 2016).

The changed nature of value creation suggests that an endogenous corporate growth approach is needed to explore the notion that economic growth is now predominantly the result of effective internal activity and not external forces. Agency theory and corporate governance research in general have focused on ensuring returning a fair share of profits to shareholders, and have not paid much attention to understanding how corporate governance affects the firm's generation of value, knowledge, and sources of competitive advantage (Aguilera et al., 2016; Garcia-Castro & Aguilera, 2015; Lazonick, 2016; Shleifer & Vishny, 1997). A new approach to researching corporate governance is indicated where the drivers of performance are endogenous (Bhagat & Bolton, 2008). This is expanded when exploring the collective nature of value creation combined under the authority of managers and directors, where governance must be oriented to satisfying the interests of the entity itself, and not the interests of one of its constituents. This suggests that a holistic, or partnerial conception of the firm and its governance (Aglietta & Rebérioux, 2005) may be indicated when considering the process of value creation in the firm.

Further exploration of governance and value creation from the perspective of the knowledge and digital economies may help to advance our understanding of corporate governance.

2.7.2. Portfolio proliferation

The previous subsection identified forms of value creation appropriate for the knowledge and digital economies. Organisations operating in these new economies need to be continuously engaged in innovation, learning, experimentation and R&D initiatives, discovering new methods, new markets, and new applications of technology (Westeren, 2012). The portfolio of activities that directors need to oversight is consequently growing and becoming more complex.

In these fast-changing changing proliferating portfolios, flexible learning capabilities are vital for organisational survival and continuous innovative development (Carayannis & Campbell, 2019; Namada, 2018). More than tolerating failure, these organisations reward rapid experimentation and the constructive learning that comes from controlled mistakes. High-autonomy experimentation uncovers blockages at the earliest, and lowest cost (expenditure and opportunity cost), time, and makes decisions on that basis (Horlach, Schirmer, Böhmann, & Drews, 2018). Constant inclusion of new ideas needs to be matched with high-speed culling, where testing shows they do not meet the grade. In some fields this is known as a fast-fail strategy (Albors-Garrigos, Igartua, & Peiro, 2018; Carrillo, Edvardsson, Reynoso, & Maravillo, 2019; De Silva, Howells, & Meyer, 2018; Mohammadi, Yeganegi, & Sadri, 2018). Fast-fail capabilities, and a balancing of priorities through governance oversight, prevents portfolios from proliferating out of control.

Existing governance theory and methods are failing to keep pace with complexity of challenges (Baret & Helfrich, 2019). In practice, many directors and boards struggle to engage the multiple and inter-related challenges, opportunities, possibilities, developments, trends and unexpected events involved in running a modern organisation (Coulson-Thomas, 2019). There is little governance research that discusses boards' ability to access practices that enhance their abilities to deal with the complex and proliferating issues necessary for the organisation's sustained survival.

For effective governance of effective organisations, the board should have continuous oversight of: (a) the shape of the portfolio; (b) a comparison of actual activity to their objectives; and (c) a measurement of the organisation's achieved throughput. Throughput demonstrates the rate of value creation capacity of the organisation. These activities build a board's capacity to direct within complexity, uncertainty and change, engaging dynamic portfolios of high-strategic-value projects (Anderson & Lannon, 2018; Brasil & Eggers, 2019; Killen, Sankaran, Knapp, & Stevens, 2019; Knapp, 2018b; Trahar, Costello, & McVey, 2018).

Governance literature has little investigation of director's use of emerging management disciplines designed to gain control over the complexity, and rapid change of proliferating portfolios of organisational activity. Disciplines including enterprise portfolio management (Lock & Wagner, 2018), enterprise portfolio governance (Knapp, 2018b), and enterprise risk management have been developed to optimise risk taking behaviour in the portfolio context. Some studies have explored the alignment of these practices to company value (Farrell & Gallagher, 2015). However, there is little evidence of research of mainstream board engagement with the potential use of these advanced techniques.

Network governance is another largely overlooked approach for directing proliferating portfolios within conditions of demand-uncertainty and task-complexity (Jones, Hesterly, & Borgatti, 1997; Provan & Kenis, 2008). Network governance is characterized by use of organic or informal social systems as an opposite to organisational or bureaucratic structures. Network governance proposes decentralized regulatory architecture mirroring natural responses to complex, dynamic and unpredictable environments, sometimes called 'living systems thinking' (Turnbull, 2017), and is suggested as an approach to reliably manage, regulate or govern complexity, including within uncertainty and complex portfolios (Coulson-Thomas, 2018a; Wang, Kunc, & Li, 2019). Whilst network governance has mostly been explored with interorganisational, sectoral and common (e.g., environmental) forms of networks, it has been proposed as a solution to systemic board failings in communication, insufficient control capabilities, poor systemic decision-making behaviours, and ethical failings (Coulson-Thomas, 2019). It is argued that large network-governed firms provide evidence of sustainable operating advantages (Pirson & Turnbull, 2015; Turnbull & Pirson, 2012).

New approaches, based on new models and new practice, are required to address deficiencies in current corporate governance arrangements and to rise to the challenge of preparing for even more complex proliferating portfolios of the future (Coulson-Thomas, 2019).

A fit-for-purpose integrated governance model may need to provide guidance on enhanced direction, measurement and assurance of an organisation's value creation portfolio. Further exploration of value creation from the perspective of optimising a complex enterprise portfolio of activities may help to further our understanding of corporate governance.

2.7.3. Strategy and strategic agility

Calls for boards to be more engaged in strategy have gone largely unheeded, whilst boards maintain focus on transactional compliance (Hendry et al., 2010; Meena, 2019). Whilst one of a director's key fiduciary duties is to set direction and vet the strategy proposed by the CEO, the majority of directors report that they do not understand, or have the desired impact on their firm's strategy (Sheehan & Powers, 2018).

Interest in the director's role and accountability for strategy has seen global institutions and standards initiatives such as SASB, IIRC and GRI, and national regulatory regimes, include measures of strategy and business models into reporting frameworks (Bini, Bellucci, & Giunta, 2018; Ng & Rezaee, 2018; Tweedie, Nielsen, & Martinov-Bennie, 2018). Despite recent advances, there is still debate in the literature on where the board's role in strategy sits between the observed behaviours of interference and rubber stamping (Crow & Lockhart, 2016; Hendry et al., 2010; Judge & Talaulicar, 2017; Tricker, 1994).

It has been suggested that better organisational performance is evident where strategy is developed and implemented in the context of the sustainable purpose of the organisation, and where the performance is reported, monitored, verified and governed by board and management working effectively together (Crow & Lockhart, 2016). However, it has been observed that typical board strategy planning sessions may involve little more than SWOT analysis, strategic alternatives and an implementation plan in a forum that is not conducive to critical challenge (Sheehan & Powers, 2018). The value that boards contribute to company performance lies, beyond development of a static strategy, in their active and ongoing involvement in the company's strategic thinking and strategic management processes (Crow & Lockhart, 2016).

A major issue with strategy persists in the gap between strategy and execution. The best of all possible plans may still need to adapt, or may completely fail in execution (de Oliveira, Carneiro, & Esteves, 2018). It is odd that so little research has been done on what constitutes effective governance of strategy implementation and subsequent performance outcomes (Cornell, 2003; Crow & Lockhart, 2016; Johanson, 2008; Olivier & Schwella, 2018; Stiles, 2001).

A clear and purposeful understanding and communication of strategy enables organisations to engage and motivate stakeholders, and is recognised to create both financial, and non-financial (particularly social) value (Sulkowski, Edwards, & Freeman, 2018; Sull, Sull, & Yoder, 2018). However, strategy is often found to be very poorly aligned, communicated and understood (Sull et al., 2018).

This communication of strategy becomes more challenging as organisations seek to achieve strategic agility. Strategic agility refers to learning and adaptive replanning through execution and awareness of internal and external change (Clauss, Abebe, Tangpong, & Hock, 2019; Xing, Liu, Boojihawon, & Tarba, 2019). Agility is increasingly seen as an important part of strategy for sustainability issues, and organisations are told that agility, responsiveness and innovation are prerequisites for long-term growth and success for any organizations operating in an increasingly volatile, uncertain, complex and ambiguous (VUCA) world (Teece, Peteraf, & Leih, 2016; Xing et al., 2019). Whilst strategic agility is seen as a potentially transformational issue leading to competitive advantage in uncertainty (Wu, Tseng, Chiu, & Lim, 2017) within strategic and management research and practice, it has attracted little attention in the governance literature (Crombie & Geekie, 2010; Lehn, 2018). This may stem from the inherent 'bottom-up' high-autonomy nature of agility (Horlach et al., 2018) in contrast to 'top-down' thinking from the governance perspective (Raco & Freire-Trigo, 2019). Developing a capacity for sustained value creation may be constrained by organisational capacity for strategic agility across multiple facets of an organisation. Delivering change effectively will require systemic governance changes (Goleman & Lueneburger, 2010; Hopkins & Gross, 2009; Sanchez et al., 2017; Sanchez & Heene, 2004).

Carver (2001a) suggests the board's role is not to develop strategy, but to set purposeful objectives and procure appropriate assurance that the strategy is delivered. Their ongoing role is said to include the need to ensure they are reliably and continuously informed of the risks and uncertainties of their strategy, and assure that appropriate mitigations and controls are in place (Denning, 2018). The director's role becomes one of assuring that their strategic initiatives are designed, resourced and managed appropriately to succeed whilst they engage with unavoidable risk, learning and uncertainty (Karre, Hammer, & Ramsauer, 2019).

A fit-for-purpose integrated governance model may need to provide guidance on how boards can procure, and gain assurance over strategy, and how they can oversight its agile development in response to learning and change. Further exploration of value creation from the perspective of strategy and strategic agility may help to advance our understanding of corporate governance.

2.7.4. Internal insight and foresight

> *To compete in globalized hypercompetitive markets, firms must manage a larger amount of knowledge and data than they have ever before encountered. They must cope with major risk arising from disruption of product and business models. This requires strategic leaders to cope with cognitive complexity (Khlif et al., 2019, p. 604).*

The challenge of gaining an adequate understanding of what is happening in the organisation has long been recognised through the concept of information asymmetry (Brennan et al., 2016; Roy, 2011). Although most frequently applied to the lack of information available to investors (Goh, Lee, Ng, & Ow Yong, 2014; Salehi, Rezaie, & Ansari, 2014), this concept is also applied to independent directors and the board (Boxer, Perren, & Berry, 2016; Tian, 2014). Part-time external directors do not have the time (Carter & Lorsch, 2013; Ferris, Jayaraman, & Liao, 2018; Fich & Shivdasani, 2006; Hauser, 2018; Lipton & Lorsch, 1992), or access to detailed operational information (Boxer, Perren, & Berry, 2013), and frequently lack the expert skills of managers or executive directors of the organisation. They may receive data filtered by the CEO. A lack of information may create skew through personal biases, a desire for streamlined simplicity and efficiency, or through deliberate manipulation (Andres & Vallelado, 2008; Ndofor, Wesley, & Priem, 2013). It has been suggested that directors take independent action to verify their understanding (Garland-McLellan, 2015).

The volume of information involved, and it utility (where there is a distinction between information, knowledge and insight) makes access to insight critical to an ability to direct, particularly in the realm of environmental, social and governance issues (Du Rietz, 2018). Questions have been raised as to whether organisations are becoming too big to manage, whether not just directors, but managers, may have direct responsibility but inadequate internal controls, and if this underpins wider failures in corporate governance and board understanding to which auditors and shareholders have been complicit (Clarke, 2016b). Researchers have considered traditional, big data, and even AI approaches to improve insight for improved decision-making, and to increase personal or organisational performance (Brynjolfsson, Hitt, & Kim, 2011; Eccles, 1991; Marlin, 2018; Raglin & Harrison, 2018; van den Bosch & Bronkhorst, 2018).

Despite the current popular perception of the concepts of big data and meta-data, little is yet published about the governance oversight to be found in the meta-data of organisational processes (Spanaki, Gürgüç, Adams, & Mulligan, 2018). This is knowledge that the organisation possesses but does not access (information insight paucity), rather than knowledge that someone knows but does not pass on (information flows, information asymmetry). This meta data could be accessed to engage strategic questions such as 'If we did everything we were currently working on, who would be?', 'Is that who we want to be?', and 'What do we need to be doing now to correct our course?' (Davis, 2014). There is little evidence of this form of insightful organisational self-awareness that might give organisational decision-making sensitivity to its environment (Tuggle & Gerwin, 1980).

Boards, it appears, have little access to information that would enable them to consider future fiduciary questions such as 'Are we appropriately invested in our own future?' and researchers appear, largely, to have overlooked these questions (Davis, 2014). Without the prompt of appropriate board materials these questions may not arise at all (Johanson, 2008). Knowledge and effective action are linked. It has been observed that competitive entrepreneurial success resides at the intersection of leaders' cognition and action (Abdelgawad et al., 2013).

A fit-for-purpose integrated governance model may need to provide guidance on how boards can make sense of the complexities of their internal action and its developing consequences. Such insight could enable them to continuously optimise action in light of learning, and evaluate and engage new opportunities that arise. Further exploration of value creation from the perspective of internal insight and foresight may further our understanding of corporate governance.

2.7.5. External insight and foresight

Knowledge of what is happening outside of the company, sometimes known as environmental scanning, is vital to give an organisation insight against which to make decisions about its own action. The challenge of maintaining an adequate understanding of this external competitive context for an organisation has grown dramatically (Du Toit, 2016; Rohrbeck & Bade, 2012; Yu, Chavez, Jacobs, Wong, & Yuan, 2019).

Globalisation, digitalisation, disruption and social media activity from a universal stakeholder base engaged with ever increasing expectations has changed competitor tracking. Existential threat can now come from start-ups, across sectors, across the world, and from unrelated action – in addition to, not replacing traditional notions of competition (Prud'homme, 2016; Saebi, Lien, & Foss, 2017; Vecchiato, 2015b).

Organisations are applying resource to environmental scanning in a structured manner. They are developing capability to value, integrate and respond to that knowledge, and the risk or opportunity it represents in the organisation's hands. And, they are developing methods to use that information to prioritise and secure resource for sufficient, timely and potentially strategic responses (Appelbaum, Calla, Desautels, & Hasan, 2017; Moutinho & Vargas-Sanchez, 2018; Vecchiato, 2015a).

This heightened requirement for sensemaking involves a larger amount of data, and knowledge than strategic leaders can absorb, challenging the capacity for learning and decision-making that organisational processes have been designed to cope with (Ancona, 2012; Khlif et al., 2019; More, Probert, & Phaal, 2015). New methods of maintaining usable insight are required.

A fit-for-purpose integrated governance model may need to provide guidance on how boards can assess external developments and integrate these into enterprise knowledge and governance considerations. Further exploration of value creation from the perspective of external insight and foresight may advance our understanding of corporate governance.

2.7.6. Summary

This section informs the five research studies in this thesis through an exploration of some of the factors involved in value creation, including: (a) knowledge and digital economy opportunity; (b) effective portfolios of value creation activities; (c) strategy and strategic agility and the practices that help optimise the balance of the portfolio; (d) internal insight and foresight; and (e) external insight and foresight as they impact value creation decision making. This section has shown significant but fragmented literature on these topics that highlight the potential importance of their contribution to sustained value creation. However, there are gaps in the literature of a holistic, integrated, consistent and comprehensive model to guide theory or practice. This section's layered exploration of value creation may help to integrate and clarify debates in this area, and further our understanding of corporate governance.

The knowledge identified in this phase of the literature review underpins the third research question:

RQ3: How do directors perceive the factors contributing to value creation?

The next section expands further with an exploration of what management practices and controls are required to govern value creation.

2.8. Practices and Controls for Value Creation (Literature for Study Four)

The fourth study examines how directors perceive the practices and controls of effective value creation. An organisation's value creation efforts may be mis-aligned, mis-resourced, and unable to be governed if fit-for-purpose management practices and controls are not in place. Financial governance, as assessed by audit, can be considered as the effective implementation of the appropriate financial practices and controls. Directors' reporting of their perception of the availability and importance of practices and controls identified a potentially foundational concept that is studied in this research. This section explores various aspects of sensemaking in terms of how we structure the unknown so as to be able to act in it (Ancona, 2012; Maitlis & Christianson, 2014). It considers literature on various management concepts and controls, measurement and direction that is required to engage effectively with the complexity of value creation explored in previous sections (Baret & Helfrich, 2019).

This section first considers the literature on governance's positive and negative impacts on innovation, entrepreneurism and value creation. Second, it explores the issues of governance dealing with uncertainty, learning and experimentation. Third it explores the need to develop a platform of quality information integrating various disciplined contributions to knowledge. Fourth it explores the use of visualisation to develop insight from data, and the impact of insight on thinking patterns and decision making. And finally, it deals with the impact that sharing insight has on delegation, and activating effective aligned action across complex organisation.

2.8.1. Governance: A friend or foe of value creation?

There are different views on whether governance helps or hinders value creation (Coulson-Thomas, 2018b).

Much has been observed on various perspectives of the negative impacts of overbearing governance. It has been observed that entrepreneurial and bureaucratic governance-led cultures are opposite forms (Burgelman, 1983), where larger firms have inherent disadvantage due to higher governance costs and risk aversion (Holmstrom, 1989; Jia, Huang, & Man Zhang, 2019). The role of governance in promoting the innovation and corporate entrepreneurship vital to a company's survival is understood, but there is little indication of how this is effectively achieved (Sharma, Jhunjhunwala, & Sharda, 2018; Zattoni & Pugliese, 2012).

There are said to be wider failures in corporate governance to which the board, auditors and shareholders are complicit (Clarke, 2016b). The governance frameworks commonly found in large organisations can result in rules where it is easier for staff, managers, executives and boards to do the wrong thing, responding to inappropriate measures and incentives (Goergen & Tonks, 2019; Michael & Williams, 2018; Schneider, 2019) ahead of aligning to optimise value creation outcomes Directors have been observed as carrying short-term biases and promoting quantity over novelty in their innovation portfolio (Jia et al., 2019). Improvement to the existing design of incentives has been suggested to help focus board's decision-making on both the long-term and the short-term success horizon of the company (Hilb, 2011; Nicholson & Cook, 2009).

There has also been much written on the positive impacts of governance, and its ability to influence more effective organisations, creating value and avoiding value destruction (Brooks & Oikonomou, 2018; Grove & Clouse, 2017). Lipton & Lorsch (Lipton & Lorsch, 1992, p. 2) suggest that if directors “monitor the performance of senior management in an informed way” they may prevent a commonly observed long-term erosion of corporate performance. Another practical recipe suggesting a balance between goal-setting and continuous oversight is provided by William Allen (Allen, 1992):

> Directors should function as active monitors of corporate management, not just in crisis, but continually; they should have an active role in the formulation of the long-term strategic, financial, and organizational goals of the corporation and should approve plans to achieve those goals; they should as well engage in the periodic review of short and long-term performance according to plan and be prepared to press for correction when in their judgment there is need.

Australian listed companies are being seen to be using governance to embrace sustainability issues within core business operations. Engagement with leadership structures, board and senior management involvement, and incentives to monitor and ensure implementation of strategy, increases acceptance that efforts towards improved corporate sustainability are not only expected, but are of value to the business (Klettner et al., 2014). Without adequate processes and tools to deal with new complexity, managers’ cognitive capacity constrains their ability to sense and respond to new developments in the environment (Sanchez et al., 2017). Others have looked at the investment talent of managers, and the moderating impact of governance on their behaviour (García-Sánchez & García-Meca, 2018). It is observed that where managers may have direct responsibility, but inadequate internal controls, they are not empowered to successfully achieve their functions (Clarke, 2016b). A failure to procure adequate governance practices for sensemaking renders managers ineffectual in tasks that are recognised as valuable to the business.

Much of the literature looks at the entrepreneurial, or risk averse, activities of the Board themselves, rather than on their role in procurement of governance practices. Boards can be seen to have a role in procuring governance practices that enable entrepreneurship to occur systemically within the organisation (Hung, 1998; Hung & Mondejar, 2005; Kim, Burns, & Prescott, 2009; Mor & Ashta, 2018; Naranjo-Valencia & Calderon-Hernández, 2018; Rubin & Abramson, 2018; Zattoni & Pugliese, 2012). The whole debate on whether governance aids or impedes value creation is mirrored in the unresolved debate on firms' use of dynamic capabilities and routinised processes in general, across both strategic and operational activity, and the value of structure within organisational creativity (Wohlgemuth & Wenzel, 2016). A board cannot govern if their organisation behaves unpredictably, particularly in large complex organisations. If boards are going to be effective they must procure consistent, measurable and governable process. If boards are going to effectively govern sustained value creation, this too must be appropriately routinised.

There is little discussion in the literature of comprehensive integrated governance that engages the capacity to maintain balance across the range of outcomes, timelines, controls and disciplines implicated in value creation (Veselovsky, Izmailaova, Bogoviz, Lobova, & Ragulina, 2018). These are ideas that motivate and shape an organization's capabilities, management processes, and strategic logic to become systemically engrained into the way people and organisations think and act, and it will take significant cognitive flexibility to achieve it (Leonard-Barton, 1992; Sanchez et al., 2017). It is harder for an organisation to change the ideas it uses than the things it uses (Sanchez & Heene, 1996).

Boards who prioritise sustained value creation will need to procure fit-for-purpose governance that advances, rather than hinders, their organisation's capacity for value creation. Further exploration of the governance from the perspective of its impact in advancing or retarding sustained value creation may contribute to our understanding of corporate governance.

2.8.2. Dealing with uncertainty

Increasing economic volatility and uncertainty has led to increased need for speed of decision-making, and a tendency to centralise that decision-making at the top of the organisation with the CEO calling the shots (Charan, 2009). Whilst boards engage fulsomely in risk, governance understanding and engagement with uncertainty remains elusive (Chintakananda, McIntyre, & Chen, 2015).

Without consistent and high quality systemic practices for engaging uncertainty, decision making quality is constrained by the cognitive capacity of individual managers and their ability to communicate to engage their peers (Ancona, 2005; Grisold & Peschl, 2017; Huff, Milliken, Hodgkinson, Galavan, & Sund, 2016; Mahoney & Kor, 2015; Teece et al., 2016). As demonstrated in Section 2.2, research has pursued the characteristics of the individual director, and the human factors of governance, rather than engineering methods that would enhance the individual and group capacity of the board. It could be argued that corporate governance needs engineering-quality assistance to deal with complexity, as seen in other disciplines, if it is to meet its future challenges. Modern planes are so complex they cannot be piloted without computer assist (Traverse, Lacaze, & Souyris, 2004). Skyscraper construction is based on engineering standards, not experienced gut feel (Gathe & Bhaskar, 2018).

Governance research and practice focused on the individual may not be sufficient to resolve the increasing need to deal with complexity and uncertainty. Rather, we need to be seeing corporate governance as a learning system (Garratt, 2017). We need to overcome the board's struggles in sourcing rigorous, reliable and continuous feed-back (Nicholson, Newton, et al., 2012). Boards need to develop organisational learning strategies and entrepreneurship behaviours in their organisation to encourage sustained improvement in firm performance (Narsa, 2019).

Decision making in uncertainty occurs at many levels. By stressing the distinction between risk and uncertainty, it has been suggested that risk is the province of management, whilst uncertainty is the province of the board (Garratt, 2017). But there remains little to guide boards on dealing with uncertainty with anything other than gut feel. A counter to Garratt's distinction argues that agility within uncertainty requires delegation of authority for appropriate levels of autonomous decision-making guided by clear communication of objectives, strategic intent, collaborative interfaces and defined limits of granted authority (Teece et al., 2016). Boards that can procure governance practice that engages appropriately with uncertainty can create agile organisations built around empowered teams that constantly match the right talent to the right strategic initiatives (Barton et al., 2018).

Further exploration of governance and value creation from the perspective of its engagement with uncertainty, learning and experimentation may advance our understanding of corporate governance.

2.8.3. Integrating multi-discipline contributions to knowledge

> Integrated Reporting defines connectivity of information as the capability to "show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time"… but little is known about how this can be achieved practically (La Torre et al., 2019, p. 31).

> Integrated thinking has received relatively scant attention (La Torre et al., 2019, p. 37).

The IIRC defines integrated thinking as the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organization uses or affects. This aims to break down silos making information flows more efficient, linking to the creation of value over time, to solve the tension between conflicting choices of profit maximization and social and environmental sustainability (Martin & Austen, 1999). It promises capacity for senior management to achieve sustained value creation across integrated reporting's multiple capitals (manufactured, intellectual, human, natural, social and relationship as well as financial capital) in decision-making, strategy, resource allocation, performance measurement and control (Adams, 2017; Churet & Eccles, 2014; Feng et al., 2017; Knauer & Serafeim, 2014; Oliver, Vesty, & Brooks, 2016). It aims to promote decision-making and actions that focus on the creation of value over the short, medium and long-term (Barth et al., 2016).

However, despite the ongoing centrality of integrated thinking to IR, there has been relatively little definition or exploration of its concepts, practice, or performance impacts, with reports of practitioners referring to it as little more than an attitude (Adams, 2017; Dumay, Bernardi, Guthrie, & Demartini, 2016; Feng et al., 2017). The IIRC currently presents integrated reporting as a journey to an ideal destination of integrated thinking in absence of a detailed roadmap (Feng et al., 2017).

From other perspectives, restricting integrating thinking across integrated reporting's just six capitals may not be enough. Management of complex dynamic organisations requires specialised knowledge across multiple fields that cannot be concentrated in the top management (Chandler, 2014; Zanda, 2018). Each discipline may need to apply a multi-criteria perspective to its own decision-making, and contribute back to organisational knowledge (Wu et al., 2017). Effectiveness depends on the alignment and integration of specialists' contributions supporting distributed decision-making, and the capacity to adapt to the dynamism of the external environment (Chandler, 2014; Zanda, 2018). This prescription attributed to the works of (Barnard, 1938) is perhaps more true now than it has ever been. The practical implementation objections to Barnard's prescription because of ambiguous agreement between participants (Cyert, Clarkson, March, & Piotet, 1970), resulting in complexity and uncertainty, can now be overcome with technology support. Research revisiting these integrative approaches to governance may be of value.

Knowing which issues are important to engage and integrate is a matter of relevancy, or in quantifiable terms, materiality (Khan, Serafeim, & Yoon, 2016; Lai, Melloni, & Stacchezzini, 2017). Materiality also provides guidance on how accurate an organisation needs to be in assessing value within uncertainty (Nicholls, 2018). Materiality is not an independent concept, but should be assessed in relation to purpose. And, without due care, the issues of ambiguous definition of purpose discussed in Section 2.6 can constrain consistency. Organisations determine the company goals in response to short-term pressures, suggesting a long-term process of adaptation of objectives is required (Zanda, 2018). Definition of purpose, and its expression as measurable objectives, and assessment of continually developing strategy, activity, projects and lines of business may be necessary components of a system of governance of value creation.

Integrated process maturity, and the precedent of its use in financial governance, have been identified in the governance engaged silo of enterprise risk management (ERM) (Farrell & Gallagher, 2015), but not in the broader governance context. Farrell and Gallagher (2015, p. 625) state that "ERM is the discipline by which enterprises monitor, analyse, and control risks from across the enterprise, with the goal of … optimizing risk-taking behaviour in a portfolio context". They go on to observe that "the tools of portfolio theory are ubiquitous in the practice of finance", and they propose a capability maturity assessment measuring "the extent to which repeatable and scalable risk management processes have been incorporated into the various business units aided by qualitative and quantitative risk management analyses, strong risk management reporting and clear roles". What Farrell & Gallagher (Farrell & Gallagher, 2015) have identified for ERM may provide a model to consider governance for value creation. The provision of sufficient, repeatable, reliable and mature practice creates consistent communication, language and interface for the integration of disciplined behaviours. This integrated practice supports the creation of integrated knowledge against which better decisions can be made.

There is divide and blurring in practice and literature between structured, explicit or managed knowledge of an organisation which may be captured in policy, process, systems and documents (knowledge assets) (Freeze & Kulkarni, 2007), versus the expertise and understanding that exists within the staff of the organisation. The latter tacit knowledge often described as human capital (Jansen, Curşeu, Vermeulen, Geurts, & Gibcus, 2011) developed through investment in training and skills development has attracted much of the research. This has been shown to lead to managerial rents where high performing executives wield idiosyncratic knowledge and capabilities, most especially in the case of opportunity recognition (Castanias & Helfat, 2001). The value to a firm of using governance practice to develop enterprise knowledge assets has also been considered (Osterloh & Frey, 2005; Zyngier, 2006; Zyngier & Burstein, 2011; Zyngier & Venkitachalam, 2011).

There is far more discussion in the literature regarding the unequal management and board access to information, known as information asymmetry (Brennan et al., 2016; Coff, 1997), than there is on what knowledge assets empower performance-enhancing governance. This is surprising where seminal studies on boards have rated lack of information as one of the main factors that prohibits the work of directors (Johanson, 2008; Lorsch & MacIver, 1989). Reliable evidence based insight and sensemaking are known to be essential for decision-making, and its lack a source of governance failures (Ancona, 2005, 2012). Research has considered the increase in directors' need to consider information arising from legislation, codes of practice and other sources, but rarely looks at methods of integrating larger pools of multi-source data, assuring its quality, or enhancing its presentation to aid cognition (Scheibe, Nilakanta, Ragsdale, & Younie, 2019; Tam & Kwan, 2019). The board as the receiver and user of information has been a neglected topic for research, as has been contribution of information content and usability to value creation (Johanson, 2008; Roy et al., 2017).

Further exploration of the governance of value creation from the perspective of the mechanisms for, and impact of, integrating multi-discipline contributions to knowledge may contribute to our understanding of corporate governance.

2.8.4. Visualisation and data representation

> A system of accounts can be judged in terms of its evocativeness, its power to provide not just confirmation of familiar orders but also suggestions of alternative orders, not just communication of what is known but the transformation of what is knowable. Portraying information engineers as poets is a form of romanticism that glorifies each unconscionably.
>
> It may not be entirely ludicrous to imagine a day when professional students of accounting will discuss the aesthetics and evocative power of ambiguity in a proposed accounting procedure with as much fervour as they exhibit in debating its impact on tax liability (March, 1987, p. 165).

What we see influences what we think and the questions we consider. Representations of data reframe the basic understanding of core issues and anticipate action that might be taken (Foster, Smith, Ariyachandra, & Frolick, 2015). It can equally lead us to engage irrelevant discussion that contributes to redefining the way we think about decision strategies (Ellis, 2018; March, 1987).

The impact of data representation in shaping our thinking and behaviours is examined from the perspectives of education and learning, business decision-making, communication and persuasion (Petty & Cacioppo, 1986), and most broadly and piercingly the impact and effectiveness of advertising. Cognitive psychology (Cheng & Holyoak, 1985), philosophy, decision sciences (computer supported decision-making) (Ellis, 2018; Speier, Vessey, & Valacich, 2003), cognitive fit (CFT) (Vessey, 1991), Educational Technology Research and Development (Nugent, 1982), consumer research (Petty, Cacioppo, & Schumann, 1983) and theoretical logic (Wyer Jr, Srull, & Wyer Jr, 2014).

It has been suggested that cognition of complex data sets may be more effectively achieved with graphical representations (MacInnis & Price, 1987; Manogaran, Thota, & Lopez, 2018), where the more emotive and visceral the form of representation, the more impactful the communication (Fekete, Van Wijk, Stasko, & North, 2008; Vessey, 1991). But, far more than this, marketing-impact researchers (Petty & Cacioppo, 1986) have studied in detail how certain types of representation have the effect of constraining, or freeing our mental engagement, steering the questions that come to mind (Bettman & Kakkar, 1977) and the degree to which we will accept, deny, interrogate, or advance further logical deduction from the information at hand (Petty, Wells, & Brock, 1976). This is evident in terms of what are defined as the central (resulting from a diligent consideration of pertinent information) and peripheral (influence from the inference of positive and negative cues) routes to persuasive effectiveness (Petty et al., 1983). Some of the many areas that have attracted academic investigation include; levels of involvement (Petty et al., 1983), immersion, animation, pull .vs. push, and interactivity (Ariely, 2000), the effect of numbers stated as fact (Yalch & Elmore-Yalch, 1984), and personality predisposition (Cacioppo, Petty, Kao, & Rodriguez, 1986). This research has been sophisticated and broad considering impact of decision-making in complexity, number of alternatives impact on overload, dealing with missing information, impact on probability assessment and optimism probability biases (MacInnis & Price, 1987) all of which could have valuable relevancy in the corporate and board decision-making environment.

Unfortunately, the predominant area of governance study focuses instead on innate judgement as a strong executive or board leadership quality. Decisions by intuition, and centralised cult-of-personality leadership are problematic in a fast-paced business environment, where they can undermine collective intuition and collective value creation practice (Akinci & Sadler-Smith, 2019; Hodgkinson & Sadler-Smith, 2018; Miller & Ireland, 2005). And, they drive focus away from development of an improved platform of evidence and insight – that is not the opposite of intuition, but a decision-support aid to accelerate its effectiveness.

Existing financial accounts provide one frame of reference by which organisations comprehend what they are doing, why they are doing it, and how they might do it better (Cockcroft & Russell, 2018). But now, corporate governance is exposed to portfolios of projects seeking to develop financial and non-financial value and values (Anderson & Lannon, 2018). Innovative reporting instruments (Selwyn, 2015) are needed to not only re-scope the various alternative decision and actions that might be taken, but actually redefine the types of questions which can be considered.

To date, there has been little research that looks at the presentation of primary data brought to the board (Crow & Lockhart, 2016; Johanson, 2008), or the impact this may have on insight, understanding, consideration of strategic action, and the distributed cognitive engagement and motivation that are required for change to occur (Stiles et al., 2015). Boards may adopt various practices that may promote or impede information absorption by directors (Sanchez et al., 2017). Whilst directors' conscious and subconscious cognition and decisions are influenced (Williamson, 2016) by informational presentation, they revert to animalistic behaviours including native skills tendencies, prior experience, and group decision-making dynamics (Akers, 2015) in the absence of compelling insight.

Information presentation supporting increasingly complex decision-making, integrating uncertain futures, project risks, innovation investments, and assurance of executive controls, could be upgraded from predominantly spreadsheet-based materials (Fletcher, 2018). The notion that management accounting information might give an expansive, and desirable, visibility of the entire organisation was considered to be illusory (Fletcher, 2018). Yet Roy et al. (2017, p. 216) conclude that despite technologies' "potential to dramatically improve the ability of boards to identify, acquire, analyse and act on the most relevant knowledge, they remain under studied and underused".

So too our theoretical governance frameworks "need to be more integrated to comprehend the same phenomena with multiple lenses, not just juxtaposing theories, but integrating them in space and time" (Khlif et al., 2019, p. 602). These may be developed as adaptive systems to match the complexity of their environment (Boisot & Child, 1999).

Further exploration of the governance of value creation from the perspective of visualisations, insight and their influences on decision-making may advance our understanding of corporate governance.

2.8.5. Shared insight, delegation and activating aligned action

> "…the person who figures out how to harness the collective genius of the people in his or her organization is going to blow the competition away" attributed to Citibank CEO Walter Wriston (Senge, 2004)

An organisation's actions are not determined by board decisions alone. The more one is able to integrate thinking and acting at all levels (Senge, 2004) focused on purposeful value creation, the greater the collective performance (Campos & de Menezes, 2018). An upgraded organisation of human labour, and enhanced governance is increasingly important as value creation opportunity occurs in the knowledge economy, digital economy and in production of intangible value outcomes. Individual cognition and personal effectiveness are insufficient in the knowledge economy, where the challenges and complexity we face are of a higher order of magnitude (Covey, 2013).

Attempting to theorise the function, mechanisms and modes of influencing decision-making across extended groups of thousands, or tens of thousands of individuals, or market-driven supply chain behaviours, by group structure, or by group behavioural dynamics would be challenging (Nicholson & Kiel, 2004).

The complexities of decision-making and action in complex organisations and systems has been explored further through investigation of living systems thinking (Grisold & Peschl, 2017; Paajanen, Kantola, Karwowski, & Vanharanta, 2006; Reed, 2007). These consider networks of independently motivating and acting individuals, units, and groupings in constant adaptation to their changing interactions and environments (McCaughan, 2018). This thesis observes that living systems behaviours align when individuals are exposed to common reliable stimuli, and will learn and adapt together where the learning of the individual is made effectively available to the group. A governance model that links the alignment and coordination of professional engagement across the living systems organisation, as it is applied, through varying degrees of process to a common set of information and insight (Yi, Kang, Stasko, & Jacko, 2008) could provide a radically new and more effective theoretical and practical approach.

Visualisations of the information maintained through enterprise portfolio management is an available 'single source of truth' through which independent decisions and actions can be aligned (Daradkeh, 2017). Broad delegation of authority, meeting speed and focus objectives whilst countering centralising tendencies, can be achieved by providing the capacity for any person in the organisation to understand what value looks like (Whelan & Whitla, 2020). Standard practice can be applied to value a project, action, decision, strategy or initiative, and proceed based on its impact on the existing portfolio value (Enoch, 2019; Horlach et al., 2018; Lock & Wagner, 2018). Delegation policies (Carver & Carver, 2011) built on enhanced shared insight authorises appropriate, activated, independent behaviour and identifies the circumstances and practices for escalation of issues outside of one's delegation.

Continuous contribution of each professionals' input to the shared knowledge that supports decision-making has long been identified as a pathway to maintain shared mission and a sense of ownership. It lifts individual commitment towards action (Hedberg, Bystrom, & Starbuck, 1976; March, 1987; Siakas, Georgiadou, Siakas, & Rahanu, 2018; Swieringa & Weick, 1987).

The ability for all staff to consider value and measure ideas and initiatives for their contribution to shared purposeful outcomes may lift the rate of value creation in the organisation. Further exploration of the governance of value creation from the perspective of shared insight, delegation and activating aligned action may further our understanding of corporate governance

2.8.6. Summary

This section discussed the literature supporting various perspectives on the practices and controls applicable to value creation including: (a) the literature on governance's positive and negative impacts on innovation, entrepreneurism and value creation; (b) the issues of governance dealing with uncertainty, learning and experimentation; (c) the need to develop a platform of quality information integrating various disciplined contributions to knowledge; (d) the use of visualisation to develop insight from data, and the impact of insight on thinking patterns and decision making; and finally (e) the discipline based behaviours that enable the organisation to share insight and align its activity.

This section has shown fragmented literature on these topics whilst highlighting the importance of their contribution to sustained value creation. However, there are gaps in the literature of a holistic, integrated, consistent and comprehensive model to guide theory or practice. This section's layered exploration of the practices and controls for value creation may help to integrate and clarify debates in this area, and further our understanding of corporate governance.

The knowledge identified in this phase of the literature review underpins the fourth research question:

> RQ4: How do directors perceive the practices and controls of effective value creation?

The next section expands further with an exploration of the board's capacity to direct sustained value creation.

2.9. **Board Capacity to Direct Value Creation (Literature for Study Five)**

The fifth study explores the concept of board capacity to direct sustained value creation through the research question "How do directors perceive the board's capacity to direct sustained value creation?". This section first explores the board's clear understanding and communication of purpose expressed as intended value creation and values. Second, it explores board access to assurable multi-bottom-line measures of the future value of its actions. Third, it explores the board's access to insight and foresight in support of monitoring and decision making in complexity. Fourth, it explores the board's optimisation of investment, effort and the focus of the organisation. Fifth, it explores whether the board's priorities, focus, time and agenda appropriately support the operation of the organisation's assurance and optimisation practices. And finally, it looks at the boards accountability to set and operate an assurable governance framework.

2.9.1. Clear understanding of purpose

Every organisation has purpose. The existence of purpose can be considered axiomatic and implicit in the words system, coordination and cooperation (Zanda, 2018). However, this purpose is frequently expressed not in an explicit form, but through an organisation's fundamental principles and established precedents (Argenti, 2018; Zanda, 2018). A lack of clarity of purpose is detrimental where, it has been observed that clear, shared understanding of purpose and goals is critical to the success of the organisation (Kempster et al., 2019), and where board objective-clarity is amongst criteria are significantly associated with board, management, and organizational performance (Nicholson, Newton, et al., 2012).

It is possible to for purpose to be expressed in quantified practical terms. Carver and Oliver (2002) policy governance provides a demonstration of purpose expressed as organizational ends and means. Policy governance (Carver, 2001a) states that an organisation's ends express a deliberative intention to make the world different. It is something of worth that is created. It could be feeding the hungry, addressing homelessness, teaching children to read, enhancing community safety, or generating financial gain – where all possible results compete for scarce resources. The methods of assessment, and the balancing of results, and who does or does not receive benefit at what priority, are value choices to be made in the realisation of that purpose. The ends concept in policy governance defines results, recipients, and comparative worth - not the activities, methods, ways of doing business. The policy governance model classifies all other values as means. The board's definition of means is another deliberative choice proscribing those things that are unacceptable. Carver (2001a) suggests that telling managers only 'how not to do its job', leaves room for managerial innovation.

Having a clear statement of purpose provides a rational and comprehensive basis that directors can understand, maintain, and use to assess the organisation's value creation progress (Carver, 2001b; Carver & Oliver, 2002). Defined purpose agrees and documents the complete picture of objectives against which management needs to report. As a structured process it obviates reliance on directors undertaking their own information search as a path to meet societal expectations and sustainability performance goals (Sanchez et al., 2017) or that representation is necessary to ensure owners' rights and stakeholder needs are met (Garratt, 2017; Ntim, 2018).

Carver (2001b) further observes that clearly defined expectations establish criteria for measuring CEO performance that may overcome many of the failures in current incentive programs. It improves the ability for directors to fulfil their role of monitoring performance according to plan, and pressing for correction when in their judgment there is need (Allen, 1992).

Additionally, the board's maintenance of defined purpose as a set of specific measures of value and values enables agility responding to new items as may be required by law, commercial need, stakeholder interest, community consensus, learning and increased awareness (Fawcett, 2018). Incorporating this capability into national corporate governance codes could have significant implications for the resilience of economies and global sustainability outcomes (Chandler, 2014; Clarke, 2016b).

Fit-for-purpose integrated governance for sustained value creation, may benefit from clarity of purpose expressed as a balance of measurable outcomes and impacts, and values. Further exploration of the board's capacity to direct value creation from the perspective of the board's clarity of understanding of value, its own intent, and the purpose of the organisation may advance our understanding of corporate governance

2.9.2. Assuring multi-bottom-line and future outcomes

> The key challenge in working towards accountability for sustainable development in business is to integrate financial, social, environmental and ethical accounting, reporting and auditing. In order to improve performance this information must be used in corporate decision-making (Adams et al., 2013).

A robust system of governance is required to assure the sustained future achievement of the broader financial and non-financial, shareholder and stakeholder outcomes for which boards are responsible (Larcker & Tayan, 2019).

The board's monitoring role, and the suggestion that it may have a positive link on firm performance has been widely discussed (Kumar & Zattoni, 2017). But more than monitor, boards are increasingly being asked to assure markets using emerging global institutional frameworks involving a wide range of interpretations (La Torre et al., 2019). The need to meet the reliability standards of market disclosure regulation is widening the scope of directors' duties (Clarke, 2019).

Reporting on the business model to satisfy this need is becoming fashionable (Adams, 2015; Garratt, 2017). The Corporate Governance Code (UK) is now demanding the business model is made explicit in the annual report, but without clearly specifying what it is (Bini et al., 2018). A business model has been described as the board's mind-set from which to design their future, that creates a common language between the board, executives, the shareholders and the stakeholders (Garratt, 2017). It is hard to see how any of the current definitions for disclosures of business models or strategy will provide a mechanism that passes disclosure regulation standards for assurance, or how they address the underlying need of assuring future outcomes.

Yet, framing of assurance as purely a regulatory requirement understates the fundamental nature of the role of the board in ensuring that the organisation creates and operates its accountability frameworks on the basis of reliable information (La Torre et al., 2019). Assurance is needed for accountability. Nicholson et al. (2017, p. 222) state that "corporate accountability is a complex chain of reporting that reaches from external stakeholders into the organization's management structure". They go on to identify directors as the link between external accountability and internal practice, yet suggest that outside of incentive mechanisms, we know surprisingly little about how management are held to account by the board. Assurance thereby contributes in a fundamental way to ensuring that an organisation achieves what it should achieve while avoiding those behaviours and situations that should be avoided across the complete range of organisational outcomes (Carver, 2011).

Integrated reporting's proponents suggest that backward-looking accounting information, absence of comprehensive intangible assets, and interdependencies between strategy, governance, operations and financial and non-financial performance is of limited use to investors seeking to evaluate a company's long-term prospects (Adams & Simnett, 2011; Feng et al., 2017). We are told that financial value alone is not sufficient for assessing value creation given that success for many organisations today depends on different resources, yet we are also told that integrated thinking suffers from significant conceptual, theoretical and practical challenges, which obstruct the claimed benefits deriving from its adoption (La Torre et al., 2019).

A systemic integrated thinking governance model would demonstrate how organisations engage multiple disciplines and voices in pursuit of future objectives across multiple financial and non-financial outcomes. Its approach would be assurable in support of internal accountabilities and the external needs of investors, regulators and stakeholders. If it could be demonstrated, integrated assurable foresight would help not only improve the effectiveness of organisations, but may contribute to avoiding the otherwise inevitable recurrence of global financial systems crises (Clarke, 2016b; Cornell, 2003).

Fit-for-purpose integrated governance for sustained value creation, may require assurance of the achievement towards future objectives across multiple financial and non-financial purposeful outcomes. Further exploration of the board's capacity to direct value creation from the perspective of the board's ability to procure assurance of multi-bottom-line and future-oriented outcomes may further our understanding of corporate governance.

2.9.3. Insight and foresight in complexity

> No matter how independent or well-intentioned directors are, they will have great difficulty discharging their duties to shareholders of large, complex corporations without adequate information and the ability to analyse it (Cornell, 2003, p. 76).

Gaining understanding over a modern large-scale organisation is an increasingly difficult issue. It is not just that it remains an unresolved question as to whether an independent director can really know enough about the company and its business to contribute (Roy, 2011; Tricker, 2012). Well beyond simply monitoring (Kumar & Zattoni, 2017), the problem of gaining sensemaking insight in complexity, "to structure the unknown so as to be able to act in it" (Ancona, 2012), is a common problem for all directors, executives and decision makers throughout the organisation (Ancona, 2012; Roy et al., 2017). Or as, Carver argues:

> Even a superficial inspection of an organization finds an impressive array of people in action. These people are deciding, acting, moving, planning, and doing. Newcomers to the boardroom as well as to the executive office are confronted with a bewildering set of facts, issues, and personalities. One issue or another attracts attention; one wheel squeaks louder than others. Boards must make their way through these distractions. If a board is to lead, it must not only keep up with the dazzling array, but get in front of it (Carver, 2001b, p. 60).

Human cognitive systems prefer engaging complexity as a meaningful whole rather than as a collection of disparate, but interconnected fragments (Hoy, 2010). This is reflected in boards' reliance on narrative and presentations in addition to formal accounting reports (Brennan et al., 2016; Hoque & Parker, 2014).

But there is a paradox for directors and how they relate to the 'devil in the detail' of this complex data. Deeper insight comes from the nuance, trends, insight and reliability of those fragmented parts. But, collaborative micro-management type talk is considered to lie outside the acceptable remit of the board. This can prevent mixing of management accounting information and other mental models of an organisation from occurring. This impairs the “rendering an organisation visible, in an expansive manner, within a boardroom” (Fletcher, 2018, p. 1) reducing directors’ ability to dissect or challenge the views presented to them. Slagmulder and Develdore write:

> Companies increasingly face the need for transformation in today’s rapidly changing business environment, characterized by major shifts in technology, regulation, and customer behaviour. A lack of strategic risk insight and foresight leaves many incumbents insufficiently prepared in the face of such deep uncertainty (Slagmulder & Devoldere, 2018, p. 733).

It is valid to view the governance ideal as a reliable system of sensemaking in the face of increasing complexity (Baret & Helfrich, 2019; Chandler, 2014) and a small number of studies have looked at the potential for computing systems to assist, although they report little evidence of effective, mature or widespread practice (Roy et al., 2017).

However, evidence suggests that directors may resist efforts to develop structured approaches to sense-making. Only 5% of directors prefer structured thinking about the future explaining why policy formulation, clarifying and testing purpose, creating vision and values, developing a long-term culture, and regularly monitoring the external environment are persistently avoided (Garratt, 2017).

Some boards invite consultants to present competitors' strategies plus their own view of the company's future, to prompt deeper thinking (Charan & Colvin, 2010). Others have used sophisticated visualisations and interactivity to convey insight from within their complex management and governance data (Williamson, 2016). However, Fletcher (2018, p. 15) highlights issues with practitioners reporting “Dashboards are a kind of chimera… to be sufficiently broad in its coverage, and helpful in how it exposes what’s going on might just be an impossibility!”. He goes on to say, “It’s very difficult to choose the right indicators" and that "a refined, sophisticated, thoughtful treatment of data and discussion of data... very, very rarely goes on" (Fletcher, 2018).

There is a significant body of literature on the development of strategic foresight, taking a variety of approaches, but little evidence that agreed methodologies and measurement standards are accepted in accounting or governance theory or practice (Bootz, Durance, & Monti, 2019; Buehring & Liedtka, 2018; MacKay & McKiernan, 2018). Yet, foresight is widely accepted as a contributor to better decision-making, competitive success and value creation (Vecchiato, 2015a).

The majority of research has looked at the intersection of accounting and governance through the lens of assurance of regulatory disclosures. There is less research on the intersection of corporate governance and management accounting information that might give directors insight to what is going on in the organisation, and how it thinks (Fletcher, 2018; Johanson, 2008; La Torre et al., 2019). Accounting and control systems provide managers and directors with information for planning, controlling and decision-making (Anthony & Govindarajan, 2007), however, "the literature is almost silent on what management accounting information boards of directors want and use, and how boards of directors design or use accounting and control systems" (Crombie & Geekie, 2010, p. 7), or "what type of information directors must have to discharge their duties effectively" (Cornell, 2003, p. 71).

Some have suggested that management accounting data that is presented tends to be operational by department and structure, rather than outcome or purpose based that might give the board a 'gestalt' insight of outcomes possible from a risk and uncertainty mitigated future outlook (Regine, 2017). "Holistic monitoring and risk management concepts have been largely disregarded on the board level of many large organizations" (Hilb, 2011, p.

533). Yet, there is work progressing on developing management accounting standards for sustainable business practices (Cokins & Căpușneanu, 2020).

Holistic future-looking insight has the potential to change behaviour, where information changes ‘what people think’ and how ‘decision-making processes’ operate in the individual or in groups (Hogarth & Soyer, 2015; Yukalov & Sornette, 2015). Yet, there is little research that explores how the huge volume of information generated by the quality practices used within large organisations currently impacts boards. And, theoretical living systems thinking approaches to governing complexity and resilience-thinking that enable governance to become self-aware and self-reflexive have seen little practical application (Chandler, 2014; Grisold & Peschl, 2017).

In the absence of systemic and organisational capacity, we see calls for directors to fill the gap. It has been suggested that directors undertake independent searches for non-financial information to overcome management provided governance omissions. Thereby current financial matters are likely to dominate board discussions – to the exclusion of consideration of broader, longer-term strategic and sustainability issues (Sanchez et al., 2017; Sonnenfeld, 2004; Turnbull, 2005, 2019). It is reasonable to ask if it is the role of the board to use its own resource to operate beyond the limitations of its organisation, and overcome flawed decisions posed for its consideration (Maharaj, 2009; Sanchez et al., 2017). Is this setting a board to do the job of management? Or, is it rather, the board’s role to procure assurance that their organisation is sufficiently engaged across its endorsed, maintained and defined set of purposeful outcomes.

Integrated governance for sustained value creation, may need directors to be presented with sufficient insight and foresight to achieve the purpose of their role. Further exploration of the board’s capacity to direct value creation from the perspective of the its ability to operate in the presence of relevant insight and foresight may help to clarify debates in this area, and further our understanding of corporate governance.

2.9.4. Optimise investment, effort and focus

> The board of directors is a key governance mechanism aimed at both monitoring powerful corporate actors and shaping strategy decisions with the final purpose to increase firm performance (Kumar & Zattoni, 2018a, p. 394).

Can one assume that the board's purpose in increasing performance, is not to increase it 'a bit', but to increase it optimally? The board's role in assuring optimised use of financial and human capital, and other capital assets of the organisation has not been widely studied. Some investigation through the lens of strategy, annual budget process, and capital allocation engage primarily, with a few exceptions, in financial measures (Attard & Brennan, 2018; Knapp, 2018a; Westphalen, 1999).

The fast-moving nature of an increasingly VUCA environment suggests that optimisation needs to be a matter of periodic assessment, incorporating changes in external environments, and the learning gained from internal experimental and entrepreneurial activity. Enterprise portfolio governance is a practice that enables organisations to review and revise their complete portfolio of future oriented purposeful initiatives on a continual basis (Arnaz-Pemberton & Emma-Ruth, 2018; Knapp, 2018a). Projects that self-assess at below threshold value, or lower than competitive ideas in the portfolio should be halted, and learning (not failure) celebrated (Bajwa, Wang, Duc, & Abrahamsson, 2017). New concepts that improve the value of the portfolio should be able to be included in a business-as-usual mechanism, and progressed according to their merits by empowered staff (Jenner, 2016). Pursuing an annual strategy, or completing a board-approved multiyear mega-project, despite staff acquiring evidence of its inability to achieve value, is value destruction.

An enterprise portfolio governance approach casts the board, not as decision-making gatekeepers, but as stewards of the organisation's activity. They set and assess actual activity against an aspirational model portfolio covering spread between experimental and assured outcomes, the balance across purposeful outcomes, thresholds of expenditure on high-risk elements of the portfolio and other criteria. It enables boards to examine purpose related questions such as 'If we brought to fruition everything that we are currently working on, who would we be?', or 'Is that who we want to be?'. This ultimately enables them to ask: 'Are we invested appropriately in our future?'" (Davis, 2014).

Most of the existing governance literature explores this through the observation of the need to achieve a precise balance between conformance and performance (Tricker, 1994). Levinthal and March (1993, p. 105) observe that "exploitation and exploration that is optimal is hard to specify". This can either be in board decision-making or expressed as control over managerial discretion in corporate entrepreneurship and innovation (Filatotchev & Boyd, 2009; Ponomareva, Shen, & Umans, 2019). The director's dilemma identifies that directors are simultaneously responsible at law to drive forward and maintain prudent control (Garratt, 2017). But none indicate how this is to be achieved.

Integrated thinking is intended to encourage a shift in managerial mindset from silo thinking to integrated thinking, in which senior managers actively re-think their strategy, business model and corporate governance, embedded within mainstream business practice. However, it provides little explanation to guide implementation, and there is little research on the topic (Feng et al., 2017; La Torre et al., 2019; Velte & Stawinoga, 2017).

An inability to demonstrate optimised use of resources means there is little evidence to counter short-termism, where organisations' financial gains are "not reinvested in advancing the corporation’s productive activity, but distributed to shareholders in dividend payments and share buy-backs” (Clarke et al., 2018, p. 4).

Integrated governance for sustained value creation may need to include a capacity to direct the optimal investment of effort, focus and financial capital to optimise sustained purposeful outcomes. Further exploration of the board’s capacity to direct value creation from the perspective of their ability to optimise the organisation’s investment, effort and focus may advance our understanding of corporate governance.

2.9.5. Board priority, focus, time and agenda

> When board deliberations are guided by agendas set by management and by management-provided information, current financial matters are likely to dominate board discussions – to the exclusion of consideration of broader, longer-term strategic issues like sustainability (Sanchez et al., 2017, p. 87).

Who sets the agenda is a non-trivial and under-studied question. “Little is known about who controls the board agenda, how the board's agenda is set and who dictates… what gets discussed in the boardroom” (Peebles & Lockhart, 2010, p. abstract). Peebles and Lockhart (2010, p. ii) conclude that “directors have a passive acceptance of established systems of agenda-setting” and that there is no “formal accepted methodology on how this duty should be addressed”.

This is curious in the context where it has been observed that with a lack of attention managers become the masters of their masters’ agendas, which sets up a formula for poor governance (Carver, 2001b). Yet, Crow and Lockhart (2016, p. 1030) identified that “management was observed to control the board's agenda… limiting the flow of relevant information between themselves and their boards”.

Investigation of the leadership role of the chair from a leadership, team dynamics or team production approach (Bezemer, Nicholson, & Pugliese, 2018; Gabrielsson, Huse, & Minichilli, 2007) rarely provides specific advice that boards plan out relevant topics using an annual (or longer) agenda (Charan & Colvin, 2010), or the identification of the responsibility of the chair as Chief Governance Officer (Carver & Oliver, 2002). None of these approaches indicate which topics are important or sufficient.

Bhagat and Kehoe (2014)'s self-rated board effectiveness survey identified a hierarchy wherein low-impact boards focused on the basics of compliance and financial reviews. Mid-impact boards engaged strategy, trends and changing conditions, whilst higher-impact boards looked at what drives value, debate alternative strategy and resource allocation. The highest level boards reported adding a degree of reflection of their own practice to this mix (Bhagat & Kehoe, 2014), committing on average twice the time to the task. The impact on firm performance was not assessed. In most cases the limited bandwidth on the board agenda means that only certain topics can be considered (Kim, Mauldin, & Patro, 2014). In-depth analysis of one issue will steal time from another issue (Carter & Lorsch, 2013), or even completely stall consideration of important decisions where boards simply don't get to all matters on their agenda.

Whilst good and poor practitioner behaviours can be observed, responsible governance theory cannot allow the mandatory to be sacrificed to or weakened by the optional (Carver, 2010). There is little consideration in the literature of what questions are considered by, or overlooked by, boards, and the impact this may have on organisation performance (Bhagat & Kehoe, 2014).

Traditional governance and board focusing practices, and annual calendars dealing with discrete issues, are being challenged as increasingly complex and longer-term existential issues requiring longitudinal multi-disciplinary responses are demanding upgraded board approaches (Coulson-Thomas, 2018a). Boards are asked to question their capacity to stimulate, support and enable creativity, innovation and entrepreneurship, and build a corporate culture that encourages questioning, challenge, and development of insight into complex and interdependent issues (Coulson-Thomas, 2018a).

Although there is much discussion in the literature of information asymmetry (Brennan et al., 2016; Coff, 1997), little research has identified which decisions boards are asked to make, or are omitted, and what form of information is provided to enable these decisions to be addressed (Roy, 2011). Implementation of meetings, agendas, governance processes, director independence, and minute-taking can be biased towards supporting or constraining compliance objectives, creative and collective sense-making, and directing effective action (Gozman & Currie, 2015; Mowbray & Ingley, 2013; Nicholson et al., 2017).

Boards are increasingly expected, or obligated under regulation, to undertake assessments of their practice, with the expectation that better boards will have an impact on corporate performance (Nicholson, Kiel, et al., 2012; Nordberg & Booth, 2019). However, there is little agreement on how this should be measured (Bhagat & Bolton, 2019). It has been concluded that the relationship between board monitoring and firm performance is moderated by governance mechanisms that are not included in these existing assessments (Singla, Singh, & Sushil, 2018).

Little has been explored in this field in the commercial sector (Roy, 2011). The impact of agenda setting in the government policy-setting context by Lewis and Considine (1999) identified pre-decision policy processes that indicate why some subjects and proposals emerge in the first place, while others are never seriously considered.

Hilb (2005, p. 578) suggests it may be sensible to formulate some essential questions in a board meeting such as “Where is shareholder value being created and destroyed?, What are the major risks?, What is the level of employee morale compared to competitors?, What are the threats to customer satisfaction compared to competitors?, What is happening to the corporate image?, How does our strategy differ from competitors?, How is our stock viewed by the analysts?". Whilst this prescription may be valid, there is no evidence to indicate that these questions are sufficient, or are being adequately addressed to assure that optimal outcomes will transpire. It could be like having a discussion about finances without having any guarantee that you are covering topics necessary to materially assure viability, and without a budget that aligns to an assurable chart of accounts.

This aspect of determining what is to be considered at board is surely one of the most vital pivot points for organisational management (McNulty & Stewart, 2015), though it is largely left to the exercising of professional discretion based on past experience. If it is true that board process may be the single most important factor in determining a board's effectiveness (Leblanc & Gillies, 2003), it would appear warranted to develop a standardised, transparent high-quality process with explicit measurement and reporting to deliberatively guide board focus (Nicholson et al., 2017).

The job is getting harder, and questions are arising if organisations are simply becoming too big to manage. Organisational governance practices are not holding together in assurable ways. Managers may have direct responsibility, but not have use of adequate internal controls with which to exercise their role. This is symptomatic of wider failures in corporate governance and board understanding, in which shareholders and auditors have been complicit (Clarke, 2016b). Ultimately, the board is accountable for assuring the creation and operation of appropriate fit-for-purpose governance practices. It has been recommended that owners, with the help of researchers, form better understanding of how their boards of directors can be most effective in "launching and governing the building of essential new sustainability competences" (Sanchez et al., 2017, p. 71) to transform their organisational and managerial priorities and capabilities. Sanchez et al. (2017, p. 71) go on to observe that the board's capability to "process information may affect the extent to which an organisation adopts strategic goals for developing new sustainability competences and improving its sustainability performance".

Further exploration of the board's capacity to direct value creation from the perspective of the board's own priorities, focus, time and agenda may help to clarify debates in this area, and further our understanding of corporate governance.

2.9.6. Accountability to set and operate an assurable governance framework

> *Corporate governance may be perhaps better understood as a mechanism to be activated by the board, and through which activities occur and enhanced outcomes are achieved (Crow & Lockhart, 2016, p. 1027).*

Understanding the purpose of governance itself, is fundamental to a board being able to achieve, and be accountable for its own role. Carver (2011, p. prologue) states it as "a carefully crafted, conceptually rigorous purpose of governance itself, forms the heart of board effectiveness". Where the board has a role in assuring the optimised achievement of purposeful outcomes by the organisation, it flows that they have an accountability to create and operate an assurable governance framework. The board's governance framework is what enables them to, or prevents them from, achieving their role. It can therefore be argued that it is part of the board's duty to procure a governance framework with an appropriate level of assurance of the integrity of the organisation's prudent management. Such assurance may include verification from independent audit where necessary. There are a wide range of regulatory and shareholder controls enforcing this outcome for financial governance, and demands are now emerging for fit-for-purpose assurance across non-financial outcomes.

The procurement and operation of fit-for-purpose governance practices can be recognised as a core responsibility of the board. However, there is little research that investigates a "proactive corporate governance role, which focuses on facilitating the prediction of firm performance" (El Mahdy, 2019, p. 5). And, there is little that explores the concept of a holistic framework with comprehensive financial-governance-quality control and assurance, and risk-mitigated insight (Regine, 2017; Tam & Kwan, 2019) over an organisation's purposeful future-oriented portfolio. And, subsequently, there is little research that looks at the impact this might have on the organisation's performance.

Different views on governance impact have been discussed. It has been argued that company performance may be enhanced when the division of labour between the board and management is clearly defined and understood, and efficiently implemented towards jointly and actively seeking positive performance outcomes (Lockhart, 2012). Crow and Lockhart (2016, p. 1027) identify that "development of strategy, making of strategic-decisions and monitoring of strategy implementation may be important elements of this mechanism". It has been suggested that corporate governance has three essential elements of defining corporate purpose, balancing interests and measuring performance (Clarke & Lee, 2019), yet there is little guidance to show how directors retained for six to twelve meetings per year, relying on information provided (Ferris, Jagannathan, & Pritchard, 2003; Ferris et al., 2018; Khanna, Jones, & Boivie, 2014; Taylor et al., 2008) can sufficiently achieve these outcomes. If the board's role is procuring auditing of company accounts, and the appointment and remuneration of top executives (Taylor et al., 2008), there is little research looking at how this can be achieved within a future-looking purposeful delivery context. Others have observed corporate governance impacting organisational behaviours, culture and capacity (Eccles, Ioannou, & Serafeim, 2014), and proposed the concept of integrated governance, such as the Integrative Sustainability Governance Framework for the Sustainable Development Goals (Monkelbaan, 2019). However, as yet, no single theory explains the general pattern of performance, or authoritative guidance addressing how directors can impact performance (Nicholson & Kiel, 2007).

The aim of the deliberative governance framework is to engage everything – all the levels of decisions, types of decisions, accountabilities, job designs and authorities and in its design the board needs to distinguish the information needed to govern – and be in control without meddling (Carver & Oliver, 2002). And, there are suggestions of evidence that "managers can design governance architectures that significantly reduce the risk of systematic blind spots, and the ensuing massive wealth destruction" (Pirson & Turnbull, 2015, p. 82). But such suggestions have been largely ignored in practice and research.

And there is little research suggesting how to assess boards in a way that might enable regulators and markets to hold directors accountable for the performance of their value creation role. Rating of corporate governance performance have been described as embryonic where agreed methodologies and measurement standards do not exist (Tricker, 2012). Predictable failures follow from failures in governance. Evidence from failures in the recent financial crisis identified complex multinational organisations operating subsidiaries with puppet boards which neither direct nor control their subsidiary management (Hilb, 2011).

Whilst boards may be accountable for the creation of fit-for-purpose governance, there is no strong theory to guide them, or to assess their performance. It has been suggested that without strong theory governance will become dysfunctional as organisations increase in internal complexity, and with the complexity of external relationships, and demands for public, legal, and investor scrutiny of board behaviour (Carver, 2010).

Further exploration of the board's accountability to procure and operate a fit-for-purpose assurable governance framework may help to clarify debates in this area, and further our understanding of corporate governance.

2.9.7. Summary

This section informs the five research studies in this thesis through an exploration of the board's capacity to direct sustained value creation. It explored: (a) the board's maintenance of purpose expressed as intended value creation and values; (b) access to assurable multi-bottom-line future-oriented measures; (c) access to insight and foresight in complexity; (d) the capacity to optimise the organisation's investment, effort and focus; (e) the setting of the board's priorities, focus, time and agenda in support of value creation outcomes; and finally (f) the boards' accountability to set and operate appropriate governance frameworks.

This section has shown fragmented literature on these topics that highlight the importance of their contribution to sustained value creation. However, there are gaps in the literature of a holistic, integrated, consistent and comprehensive model to guide theory or practice. This section's layered exploration of the board's capacity to direct value creation may help to integrate and clarify debates in this area, and further our understanding of corporate governance.

The knowledge identified in this literature review underpins the fifth research question:

> RQ5: How do directors perceive the board's capacity to direct sustained value creation?

2.10. **Chapter Summary**

Chapter Two reviewed and discussed the literature relevant to the development of this thesis. Firstly, the two research fields of corporate governance, and sustained value creation that provide the foundation context for the research question were discussed. These two subsections were summarised to provide a contextual basis for each of the five studies that follow.

Five literature reviews, supporting each of the five studies, each looked at both a governance research perspective, and at relevant literature from supporting discipline areas. This integrated multi-disciplinary review of the literature indicated gaps in the literature, and support in the literature, suitable for an integrated multi-disciplinary analysis of directors' responses within the context of the five studies and their research questions:

> RQ1: How do directors perceive fiduciary duty and their role in the context of sustained value creation?
>
> RQ2: How do directors perceive value?
>
> RQ3: How do directors perceive the factors contributing to value creation?
>
> RQ4: How do directors perceive the practices and controls of effective value creation?
>
> RQ5: How do directors perceive the board's capacity to direct sustained value creation?

Important theories, concepts, models, and contributions in each of these five areas have been discussed and explored. This layered exploration may help to integrate and clarify debates and further our understanding of corporate governance.

This chapter offers a comprehensive review of the literature giving insight into all research areas of relevance for the development of the thesis, identifies gaps in the prevailing literature, and provides the basis for the analysis of five study areas. Chapter Three will now present the methodology, research design and methods used in gathering and analysing data for this thesis.

CHAPTER 3

3. Chapter Three: Methods

3.1. Introduction

This chapter provides an outline of the methods used in this research. In doing so, it also seeks to address the concerns of bias and subjectivity inherent in qualitative research, and to increase trustworthiness of the investigation (Decrop, 1999; McNulty et al., 2013). The chapter first details the researcher’s background and its relevance to the research. It then describes the qualitative research approach, methods of data collection, and details of participation. The chapter then explains how the findings are coded using thematic analysis, and also describes how the findings are presented throughout the thesis. The chapter concludes with a discussion of ethical considerations and trustworthiness.

3.2. Researcher Background

In qualitative research, disclosure of the researcher’s background is a well-accepted practice within the broader process of generating qualitative insights (Berger, 2015). This can produce biases from the researcher's position relative to the research participants or the research context (O'Leary, 2017). Malterud (2001, p. 483) wrote that "A researcher's background and position will affect what they choose to investigate, the angle of investigation, the methods judged most adequate for this purpose, the findings considered most appropriate, and the framing and communication of conclusions". There are many personal characteristics which impact a researcher’s positioning. These include affiliation, age, beliefs, biases, gender, immigration status, linguistic tradition, preferences, personal experiences, race, sexual orientation, emotional responses to participants, as well as theoretical, political and ideological stances (Bradbury-Jones, 2007; Finlay, 2002;

Hamzeh & Oliver, 2010; Horsburgh, 2003; Kosygina, 2005; Padgett, 2016; Primeau, 2003). Horsburgh (2003, p. 309) argued that because of the researcher's intimate role with the data, "it is necessary for the reader to evaluate the extent to which an author identifies and explicates their involvement and its potential or actual effect upon the findings". The researcher's background and resulting bias is disclosed in this section.

The researcher in this study brings extensive experience in both corporate governance and value creation (Cutcliffe & McKenna, 2004). This experience is demonstrated through executive, directorship, consulting, advisory, and mentoring roles, and participation in international standards development. The subsequent researcher effect (Brink, 1993) may have brought both opportunity and bias into this study including in: (a) the choice of what is being investigated; (b) the angle of investigation; (c) data collection; (d) analysis of data; and (e) the methods chosen (Malterud, 2001).

The choice of investigating the link between governance and sustained value creation, was influenced by the researcher's apprehension that there may be common themes running through the considerations of directors across many different organisations. This feeling had formed from decades of discussions with directors and relevant experts, but had no adequate form, understanding or expression. The intention to draw, and analyse a repository of data that captured the experience of these discussions is a researcher bias brought to this study.

The angle of investigation was influenced through the researcher's interests in enquiry into directors' understanding of, and engagement with, the internal professional-discipline practices that operate in their organisations. This researcher bias led to interview protocols that asked process-discipline oriented questions such as "how do you satisfy yourself that…", and "how do you go about optimising…". This created a rich repository of data that supported a mutli-disciplinary and integrated analysis. Alternate interview techniques following lines reported in the literature, may have resulted in a study more closely aligned with existing theory. Testing and review of the interview protocol (See Section 3.4) was undertaken to mitigate the risk that this bias would prompt participants, and compromise data validity.

Data collection was influenced by the researcher's professional experience in interviewing director and senior executive subjects, and his understanding of the relevant subjects. Positive engagement with participants built a trusted collegiate atmosphere using common boardroom language (Schwandt, 2005), facilitating the capture of deep, reflective and challenging discussions (Elliott, Watson, & Harries, 2002; Houghton, Casey, Shaw, & Murphy, 2013). Researcher bias in this phase of the study can influence what the respondent reports, and the data that is available for analysis. To mitigate this bias, the researcher sought to identify contextual nuances or ambiguities in participants' responses, in order to extend the questioning to seek clearer explanation and additional illustration of the respondents thinking (Hirst & Koonce, 1996).

Data analysis by expert qualitative researchers risks being tainted by a reliance on intuition (Cutcliffe & McKenna, 2004), or unconsciously shaped by the researchers' preconceptions (Bryman & Bell, 2003; Patton, 2002). Data analysis bias was mitigated in this study by production of a data resource where participants reported at length about important issues, as well as by following protocols on trustworthiness, data-driven thematic analysis, and extensive use of quotes to support the findings (Houghton et al., 2013).

It can also be said that the researcher's background influenced the choice of methods at various stages of the study, including confirming to the researcher's comfort with one-on-one interviews, rather than focus groups, surveys or other approaches.

As described through the rest of this chapter, appropriate research methods were applied to ensure that: (a) the data collected was a representation of directors' thinking, not the researcher's (see Chapter 3, Section 3.4); and (b) the analysis responded to that data, and was not influenced by, or structured to fit to, preconceived ideas (see Chapter 3, Section 3.6).

3.3. **Qualitative Inquiry**

The study takes a qualitative exploratory (Stebbins, 2001) approach to identify what directors perceive as relevant in their pursuit of sustained value creation within increasingly complex operating environments. Qualitative research makes "claims to describe lifeworlds 'from the inside out', from the point of view of the people who participate" (Flick, Von Kardorff, & Steinke, 2004, p. 3) to contribute to a better understanding of social realities, processes, patterns and structural features. For Jackson, Drummond, and Camara (2007, p. 21), qualitative research is about "understanding human beings' richly textured experiences and reflections" through "in-depth responses to questions about how they have constructed or understood their experience".

Consistent with the qualitative approach, this research embraces the interpretivist epistemology. Interpretivist researchers consider that reality is multiple and relative (Hudson & Ozanne, 1988). These multiple realities also depend on other systems for meanings, which makes interpretation of fixed realities even more difficult (Neuman, 2000). The knowledge acquired by interpretivists is socially constructed rather than objectively determined (Malsch & Salterio, 2016). Interpretivism is a mainstay of qualitative research in corporate governance (Maroun, 2019; Roussy & Brivot, 2016; Stubbs & Higgins, 2018). Queirós, Faria, and Almeida (2017) characterise quantitative research as being structured, with predetermined variables, hypotheses and design, better suited to studying what is aready known, than assisting in unravelling the unknown and revamping the known. A quantitative approach was not considered ideal for exploring directors perceptions of governance and sustained vale creation. Similarly, a survey and factor analysis (Fabrigar & Wegener, 2011) approach would have required pre-knowledge of the appropriate set of measures to use. This was not considered viable where there was very little prior academic research to indicate what line of questions, or measures would best investigate the research question within the context of the known constraints.

Exploratory studies are undertaken when not much is known about the situation at hand, or when no information is available on how similar research issues have been solved in the past (Collins & Hussey, 2003; Sekaran & Bougie, 2013). In exploratory research, the focus is on gaining insights and familiarity with the subject area to enable more rigorous investigation at a later stage (Collins & Hussey, 2003). Qualitative research is further suggested where an exploratory study has the potential for proposing approaches that may be followed for new theory development (Edmondson & McManus, 2007; Malterud, 2001; Maxwell, 2012).

This thesis responds to calls for studies to utilise fresh approaches to the investigation of the links between governance and performance (Refer Section 2.4). In response to these calls this study has undertaken qualitative research using an integrated, multi-disciplinary approach. The integrated approach responds to calls for layered research (Aguilera et al., 2016; Berthelot et al., 2010; Khlif et al., 2019) that should investigate the richness and depth of data available from a larger sample of different sources (Filatotchev & Wright, 2017). The term integrated acknowledges that the actions and understanding of governance are layered, interactive with subjective utility based on the perspective and circumstances of the individual. The term integrated also acknowledges that the analysis, whilst layered to a thematic structure, draws perspectives from a common integrated data set. This research seeks to develop understanding in that integrated context but does not seek to define its interactions.

The thesis also responds to calls for multi-disciplinary focus on internal processes (Ford & Rooney, 2016; García-Castro et al., 2013; La Torre et al., 2019). It investigates the bundles of complementary mechanisms involved in corporate governance, acknowledging the integrated contribution of different disciplines to debate and practice, rather than investigating them in isolation (Kumar & Zattoni, 2019).

3.4. Data Collection

3.4.1. Semi-structured interviews

Data were collected using semi-structured interviews. Interviews are the dominant means of data collection in corporate governance research (McNulty et al., 2013). The use of a semi-structured interview approach reflected the desire to achieve epistemological consistency whilst also acquiring personal insights free from the structural constraints of fixed-response questions. The key characteristic of semi-structured interviews is that their structure is both fluid and flexible. Semi-structured interviews are recommended in qualitative research to ask questions whose content and sequence aren't fully specified in advance (Jankowicz, 1991). This gives participants the opportunity to talk freely in their own words about the issues and to provide emphases which may not have been anticipated in the interview development or in the research question (Yin, 2014). The semi-structured and open-ended interview structure adopted for this study was expected to provide a large volume of data to explore the research question (Beatty & Willis, 2007). Interviews can be targeted to explore topics, which may expose insight and causal inferences (Yin, 2014). In comparison, structured interviews contain questions that are asked in the same way to all interviewees. Fowler Jr, Fowler, and Mangione (1990) have suggested that interview standardisation can constrain the development of rapport between interviewer and respondent. The chief criticism of semi-structured interviews, that they inhibit comparisons because there is no guarantee of standardisation across interview protocols, was not problematic for the objectives of this research. A further potential weakness whereby interviewees may give what they believe the interviewer wants to hear (Yin, 2014), was discounted due to the experience, standing and authority of the participants, and their power-relationship to the researcher.

The interview protocol was developed with the guidance of the Interview Protocol Refinement Framework proposed by Yeong, Ismail, Ismail, and Hamzah (2018). The interview protocol was first drawn from the literature, tested through a pilot phase, and then refined. The protocol was developed to guide enquiry-based conversations towards the mechanisms, practices and considerations that the participants used to engage with value-creation issues and governance accountabilities.

The initial interview protocol (See Appendix A.3) was drawn from a preliminary review of literature on the management practices and professional disciplines associated with the direction of innovation. The protocol's label 'Focus Group Questions' is misleading. The intended focus groups proved too difficult to organise. One-on-one interviews were conducted. In addition to initial enquiry on participants' perceptions of their operating environment, the board's role, the role of information in decision-making, and board insight, the protocol proposed questions on: (a) market dynamics; (b) brand and strategy; (c) product portfolio and lifecycle; (d) business improvement portfolio; (e) technology governance; and (f) accountabilities and incentives. Testing was conducted with ten participants, representing a mix of directors and technical experts. The testing revealed that a professional-discipline focused protocol was ineffective in that it: (a) need to overly prompt participants; (b) produced closed responses; and (c) frequently failed to be understood by, or engage with director participants. Testing of the initial protocol confirmed the earlier decision not to embed researcher-defined topics in a survey approach. Rather than simply changing to different topics, an outcome-based interview approach (i.e., how do you achieve…?) was pursued.

The refined interview protocol (See Appendix A.4) responded to this learning. It was further reviewed to align to a more developed understanding of the objectives of the study, and its research questions. The protocol avoided naming, or asking about specific disciplines. It enquired in various ways about what practices directors considered important in order to engage with, and direct, relevant issues. Open questions enquiring how directors approached issues that were relevant to them produced better engagement, and more fulsome responses that allowed participants to speak of their experience and understanding in their own words.

The first section of the interview protocol guided the researcher on engagement-building questions: (a) Does your organisation see itself as being exposed to significant and disruptive change?; and (b) What is your organisation's approach to sustain expected levels of success in the 3-10 year timeframe?. The second section of the interview protocol prompted investigation through the questions: (a) How does your board satisfy itself that your organisation is maximising its pursuit of the opportunity afforded by its brand, reach, capability and the potential of its market?; (b) Does your board have mechanisms to measure and consider an 'integrated' view of forecast outcomes (financial, environmental, social, etc) arising from its complete portfolio of business and actions, please describe.; (c) What mechanism do you use to consider the potential impact of individual projects or decisions against progressive learning and an integrated context?; (d) What mechanism do you use to express mid-to-long-term future aspirations, forecasts and achievement - to staff, in your KPI / Remuneration, and to markets / stakeholders?; (e) How does your

Board go about measuring, targeting and proactively designing your organisation's capacity for sustained value creation?; and (f) Would you say that your organisation's leadership have quality information sufficient to support quality decision making in the future context?. A third section of questions, prepared to extend interviews to produce sufficient data, was not required. Interviews responded organically to participant's engagement and responses, using the planned questions as an 'aide memoire' rather than a fixed schedule of questions, to achieve a balance between flexibility and consistency (Zhang & Wildemuth, 2009). This allowed the researcher to overcome barriers that would have been introduced through complex phrasing of questions, or a schedule that was out of step with a conversational flow.

The semi-structured interview approach reflected a number of issues. First, the interview had to be completed in less than 60 minutes. Interviews were not exhaustive given the complexity of the topic and the breadth of experience the participants were willing to share. Second, interview questions were designed to minimise respondents' discomfort or impugning their professional competence. The interview questions needed to acquire insight into sustained value creation without crossing into areas that would be considered inappropriate for director disclosure according to the ethical and legal considerations of that role. Third, questions sought to engage participants and evoke personal reflection and introspection regarding the strengths and weaknesses of past practices and pre-existing understandings (Van Teijlingen, 2014). Fourth, the wording of each question was given careful consideration because it was possible that the answers would require participants to reflect on possibly unfamiliar aspects of the interview topics (Beatty & Willis, 2007). Questions were framed around asking the respondent to discuss the approaches and methods that their boards use to engage specific strategic perspectives. Respondents self-identified the perceived value of their efforts, the priority of certain issues, and whether their existing practices were sufficient. Asking such questions directly would have been counterproductive. Finally, care was taken to keep the interview away from commercially sensitive information. As Rice (2010) observed, in addition to the ethical issues for researchers and issues in the operation and securing of the research process, reliance on access to commercially sensitive information would have presented a significant barrier to the conversation.

3.4.2. Interview conduct

Prior to the commencement the interview questions, care was taken to establish some level of rapport with each of the participants. ‘Rapport’ refers to a variety of positive psychological features, including a situated sense of connection or affiliation between interactional partners, comfort, willingness to disclose or share sensitive information, motivation to please, and empathy. Rapport is useful in interviews because it has the potential to benefit response quality by increasing participants’ motivation to participate, disclose, or provide accurate and detailed information (Garbarski, Schaeffer, & Dykema, 2016; Ostrander, 1993). Rapport was established by quickly getting into a discussion of questions of genuine interest to the participants (Ostrander, 1993).

As part of the transition from rapport building to interview, the participants were informed of the study's purpose. They were reassured that there were no right or wrong answers, and their responses would be treated with strict confidence. The discussions were initially framed around generalised, less terminology-based questions (e.g., How does the board go about satisfying itself that the organisation is maximising opportunity afforded by brand, reach, capability and market potential?).

Following Hirst and Koonce (1996, p. 460), “when questions took us down an important path, we pursued them before returning to the planned interview materials”. The investigation format allowed participants to take the discussion where they wanted, but also allowed the interviewer to seek illumination of the mechanisms directors used to get reliable information, consider relevant topics and make quality decisions (e.g., Yes, but *how* do you do that?).

Respondents were encouraged to consider both their direct experience, and their professional opinions. Directors were encouraged to explore topics. Directors described a wide range of topics including reports and board papers, their experience in off-site strategy days, their understanding of the operation of specialist innovation units, and their experience within a specific project. Directors reported conversations, aspirations, regrets, ideals, trends, learnings, experiences and challenges.

A conversational approach to the investigation, responding to the participants understanding and stated perspectives, allowed the researcher to progress to more challenging questions such as the sufficiency of boards' capabilities, and the board's appetites and barriers to improving on these practices. The approach enabled data gathering to proceed despite different levels of expertise and experience between the participants (Wimpenny & Gass, 2000).

All interviews were conducted at locations in which the informants could feel relaxed and not subjected to inappropriate pressure. Interviews were located variously at informants' places of work, at cafes, or at La Trobe University's Melbourne CBD campus.

3.5. **Participants**

3.5.1. Access

In general, obtaining access is a key problem when conducting "elite studies" (Neuman, 1997, p. 336) or interviews "with persons who are leaders or experts in a community, people who are usually in powerful positions" (Kvale, 2008, p. 38). Accessing directors is sometimes a difficult proposition (Finegold et al., 2007; Northcott & Smith, 2011). Access, trust, confidentiality and significant competing demands are widely recognised constraints for corporate governance researchers worldwide (Fossey, Harvey, McDermott, & Davidson, 2002; O'Reilly & Parker, 2013; Silverman, 2016; Thomas & Magilvy, 2011). The issues of access and participation that have been a barrier to much prior governance research (Edlin, 2007) may have been overcome with the benefit of the researcher's expertise (Bogner, Littig, & Menz, 2009).

3.5.2. Participant selection

Purposive sampling, also known as judgment sampling, is the deliberate choice of an informant due to the qualities the informant possesses (Palinkas et al., 2015). Purposive sampling is a non-random technique that does not need underlying theories or a set number of informants. Qualitative sampling is often premised upon selecting participants who can best providing meaning to the research questions (Creswell, 2013; Marshall & Rossman, 2014; Patton, 1990). In this study it was not logical to select respondents randomly. Rather participants were purposefully chosen based on their prior governance experience (Guba & Lincoln, 1982).

The sole characteristic required of respondents to this research was experience in the governance of large scale organisations. These experiences included roles as chairs, executive directors, non-executive directors, CEOs, CFOs, company secretaries and other senior leadership team members, as well as their equivalents in the government sector. Five technical specialists with deep understanding of boards' engagement with issues such as developments in international audit standards, long-term investing industry trends and fiduciary duty from a legal standpoint were included to support practitioner perspectives.

In this research, large scale was defined as listed companies with over $1 billion market capitalisation, mutuals and government owned enterprises with over $500 million annual revenue, investors with over $10 billion Assets Under Management, or government departments with a budget of at least $5 billion. Participants from private and family companies were excluded from the study due to their unique nature.

Names of potential participants were sourced from ASX listings, and publicly available websites. Over a period of approximately six months, interview informants were contacted via email or telephone. Potential informants were provided subsequently with an information pack which contained a cover letter, an 'Information to Participants Involved in Research' letter (See Appendix A.1), and a 'Consent Form for Participants Involved in Research' (See Appendix A.2).

3.5.3. Participant characteristics

Most participants held multiple governance roles in different organisations concurrently at the time of interview. Participants' career history reflected in their publicly available biography that showed experience in other qualifying roles was also recorded. The biographies sourced for this analysis are not comprehensive in nature. The actual organisational coverage of the individual respondents engaged is likely to be broader.

The 55 participants included directors who were, at the time of interview, serving on boards across nine of the top 10 companies listed on the ASX (14 from the top 20) with seven of these being the chairman. Of the 55 respondents, 43 were male, and 12 were female. The pseudonyms selected are biased towards older generation, Anglo-European names, which is representative of the spread of the participants' actual names.

Table 3.1: Characteristics and pseudonyms of respondents.

			A				B				C				D				
			ASX20/Equiv/Invst				ASX200/Equiv				Gov/GOE/NGO				NFP				
Count	To be known as	Highest	Chair/CEO	Director	SLT	Specialist	Chair/CEO	Director	SLT	Specialist	Chair/CEO	Director	SLT	Specialist	Chair/CEO	Director	SLT	Specialist	Specialty
1	Alan	A1	x	x			x	x			x	x			x				
2	Andrea	A3			x			x								x			
3	Andrew	A2		x			x				x				x				
4	Arthur	A4				x				x									Capital Allocation
5	Brendan	A1	x	x			x					x							
6	Brian	A3			x														
7	Brigitte	B2						x			x	x			x	x			
8	Carla	B4								x				x					Long Term Investment
9	Chip	B1					x	x			x				x				
10	Clayton	B1					x	x	x										
11	Damien	A2		x			x	x							x				
12	Darren	B1					x												
13	Dougal	B1					x												
14	Edgar	C2										x				x			
15	Edward	A1	x	x			x	x											
16	Emmerson	B3							x	x									
17	Francis	B2						x							x	x			Innovation
18	Frank	B1					x				x				x				
19	Geoff	B3							x	x									
20	Gordon	A2		x			x				x								
21	Graeme	A1	x								x				x				
22	Gregory	A1	x																Long Term Investment
23	Harper	C1									x								Government
24	Hayden	A4				x													Innovation
25	Ingrid	C3											x						Audit
26	Ira	C1									x								Audit
27	James	B1					x			x									
28	Jeremy	C1									x				x				Integrated Reporting
29	Ken	B3							x										
30	Kim	A3			x														Project Governance
31	Larissa	A2		x				x			x				x				
32	Laurel	C3											x						
33	Mai-Lin	B4								x					x				Innovation
34	Mark	A1	x								x								
35	Maurice	A1	x	x	x						x				x				
36	Murray	A1	x	x			x				x					x			
37	Neil	D1													x	x			
38	Nicholas	A3			x														
39	Ornella	B2						x								x			
40	Orville	A3			x														
41	Patrick	C3											x						Government
42	Pauline	A4				x		x	x										Legal
43	Quentin	A2		x	x			x			x								
44	Roger	A3			x				x										
45	Rupert	A3			x														Innovation
46	Solomon	D1													x				Long Term Investment
47	Stan	A1	x			x													
48	Stephen	C1									x								Government
49	Thomas	B1					x								x				CEO Exec Rem
50	Timothy	C4												x					Government
51	Ursula	C1									x								
52	Vernon	A2		x	x		x				x								
53	Vika	C3											x			x	x		
54	William	C1									x	x	x						
55	Winston	B3							x										
	COUNT		9	11	10	4	15	12	7	6	19	5	5	2	15	8	1	0	
			Chair/CEO	Director	SLT	Specialist	Chair/CEO	Director	SLT	Specialist	Chair/CEO	Director	SLT	Specialist	Chair/CEO	Director	SLT	Specialist	
			ASX20/Equiv/Invst				ASX200/Equiv				Gov/GOE/NGO				NFP				

A total of 58.65 hours of interview recordings produced 545,878 words of transcript, with recordings of interviews averaging 63.98 minutes in duration.

Effort was made to recruit participants from a variety of industry sectors: IT&T (n=14), Finance (n=21), NFP (n= 10), Government (n=20), and Resources (n=4) whilst 26 of the respondents served organisations in other sectors including transport, logistics, energy, fast moving consumer goods (FMCG), agriculture, and manufacturing. Note that the sum total of participants in each sector is greater than the 55 participants because participants were frequently observed with current and historical involvement in more than one sector.

3.6. **Data Analysis**

Thematic analysis is a useful and flexible method of undertaking qualitative research (Braun & Clarke, 2006). According to Braun and Clarke (Braun & Clarke, 2006), thematic analysis is “a method for identifying, analysing and reporting patterns (themes) within data” (p. 79) that serves as “a flexible and useful research tool, which can potentially provide a rich and detailed, yet complex, account of data” (p. 78). This approach has a number of advantages, including its flexibility, ease of use, ability to summarise the key features of a large body of data, and potential to generate unanticipated insight into the topic (Braun & Clarke, 2006). Thematic analysis is suitable for governance research using an integrated multi-disciplinary analysis (Aguilera et al., 2016).

Patterns or themes can be identified in an inductive or ‘bottom up’ way, or in a theoretical, deductive or ‘top down’ way (Boyatzis, 1998; Braun & Clarke, 2012). The researcher can code for specific research questions or predetermined themes (the deductive approach), or the research questions and themes can evolve through the coding process (the inductive approach). Because of the exploratory nature of this research and the lack of pre-existing research, an inductive approach was adopted.

Where the research questions and themes evolve through the coding process, the analysis can be considered to be data-driven, and the themes developed this way are likely to be identified are strongly linked to the data itself (Boyatzis, 1998; Braun & Clarke, 2012). Thematic analysis developed in this way is a continuous process that involves moving back and forward between the data, coded extracts, and the analysis (Braun & Clarke, 2012).

Data analysis relied upon Braun and Clarke (2006) six phases of thematic analysis: (1) data familiarisation; (2) initial coding; (3) search for themes; (4) create thematic map; (5) define and name themes; and (6) produce report. This process was repeated for each of the five research questions. Whilst the analysis is presented as a linear, six-phase method, the process was both iterative, reflective and non-linear.

Prior to analysis, the transcripts were transcribed by a professional transcription service and then quality checked by the researcher. These transcripts were then shared with participants for accuracy and validity checking.

NVivo software for qualitative data analysis, management and model building was used to organise the transcriptions and to subsequently code and theme the data. The software enabled the iterative process of initial coding, theme searching, naming, review, and renaming that occurred as the data was processed and understood. Figure 3.2 shows how transcripts were viewed in NVivo, and components of text selected and assigned to themes. The interview text is in the centre panel. The right panel shows coloured ‘coding stripes’ indicating the themes to which text fragments have been coded. A single fragment may be coded to multiple themes, representing an integrated analysis where a single response may weave through several concepts. The example in Figure 3.2 shows a single fragment coded to ‘time and certainty’ from study 2, theme 4 and ‘portfolio proliferation’ from study 3, theme 2. The left panel shows the number of fragments, and the number of nodes associated with each transcript. The 0 and 1 anomalies are due to housekeeping around respondent corrections and split transcripts respectively.

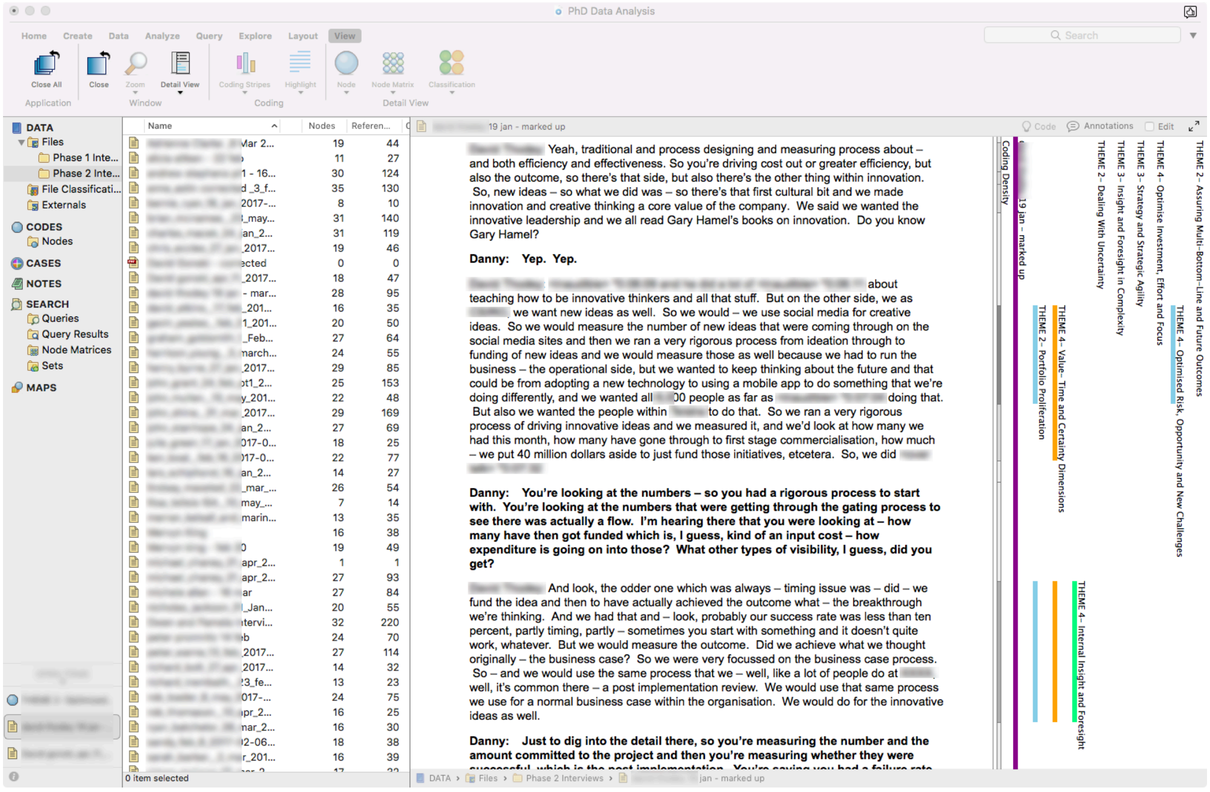

Figure 3.2: Example of Coding a Transcript within NVivo

The left panel in Figure 3.3 shows the study and themes at the conclusion of the analysis process. The right panel shows the text fragments that had been coded to the selected theme, in this case ‘optimised stewardship of assets’. This view was used for quality control of the coding, ensuring that all coded text matched the theme. It was also used to select illustrative quotes when writing the findings section. The example in Figure 3.3 shows how responses from participants from different sectors dealt with common issues, despite sectoral differences.

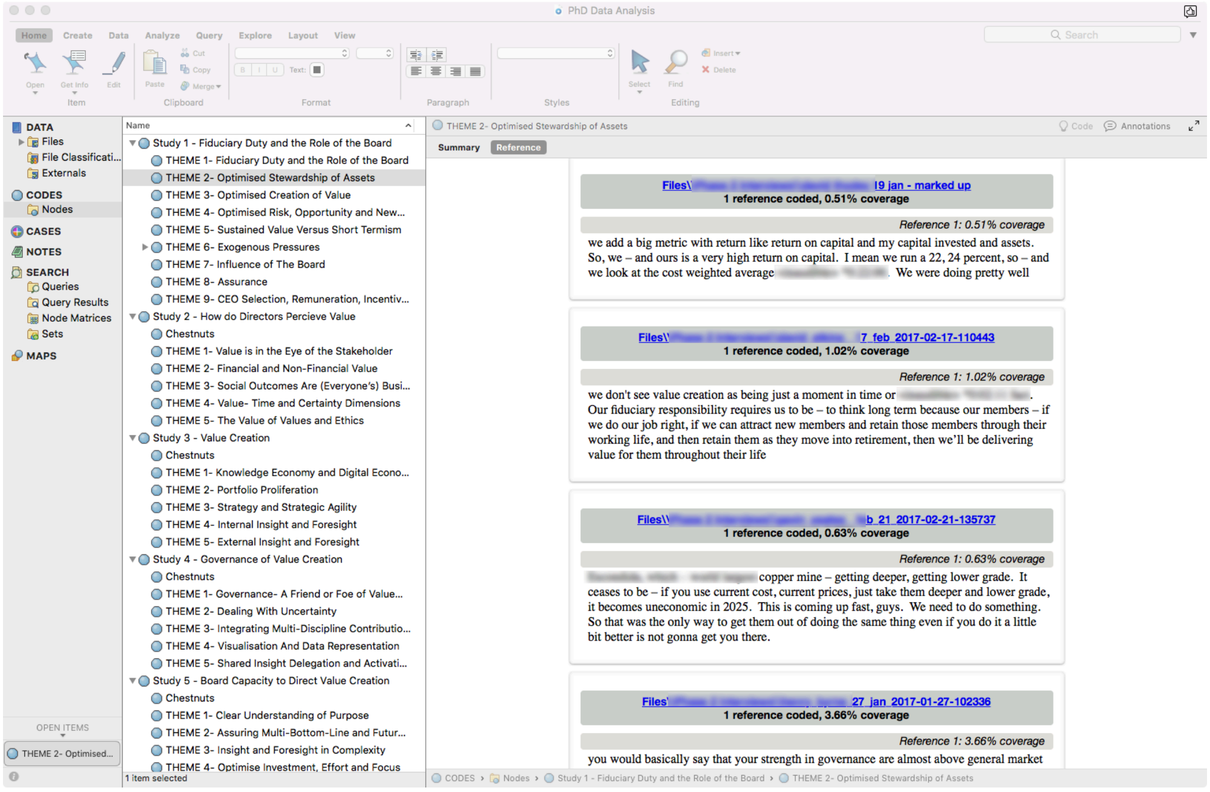

Figure 3.3: Example of Fragments Coded to a Theme within NVivo

Use of NVivo in this way enabled inductive data-driven analysis where the themes, and the research questions evolved through the coding process (Boyatzis, 1998; Braun & Clarke, 2012). As common fragments of text were grouped, descriptions of thematic codes began to emerge and solidify, and were contextualised in the multi-disciplinary literature discussed in Chapter 2. As further coding was performed, the themes were refined, and in an iterative process, the information already coded was reviewed for fit to the refined theme, and recoded as necessary. A table of evolved themes, thematic code descriptions and exemplar quotes is provided in Tables 3.2-3.6. This table should be read as coding guidance for the researcher, not the final output of the analysis. The code 'chestnuts' appearing in Figure 3.3 was used by the researcher as a holding place within NVivo for 'hard nut to crack' fragments of text whose coding required further iterations.

Table 3.2: RQ1 - Themes, thematic code descriptions and exemplar quotes

RQ1	Theme Name	Thematic Code Description	Exemplar Quote
THEME 1	Fiduciary Duty and the Role of the Board	As named	"Our fiduciary responsibility requires us to think long-term".
THEME 2	Optimised Stewardship of Assets	Is this a responsibility of directors?	"We look at producing, at a minimum, acceptable returns on the assets involved. But, are we growing?".
THEME 3	Optimised Creation of Value	Is this a responsibility of directors?	"For any commercial enterprise, the number one function of the board is to create value".
THEME 4	Optimised Risk, Opportunity and New Challenges	Is this a responsibility of directors?	"By definition, our job is to take risks".
THEME 5	Sustained Value Versus Short-Termism	Is this a responsibility of directors?	"The board of a top 200 company needs to be thinking about where it's going to be in ten, 15 years' time".
THEME 6	Exogenous Pressures	***heading***	***heading***
Sub-theme 1	Increasing Regulatory Compliance	Pressures from regulators.	"The highest risk in Australia is regulatory risk".
Sub-theme 2	ESG and Other Measures	New Environmental, Social and Governance measures for organisations.	"The recognition that ESG risks are value creators over the longer-term… started to push a different way of thinking".
Sub-theme 3	Markets Active Investors and Activist Stakeholders	Pressures from investors becoming greater. Not just 'activists', but the large mainstream funds.	"We want to give the company long-term investment messages. In the absence of us doing that, a company is hearing from the other participants in the markets". "Activist shareholders are all short-term".
Sub-theme 4	Reporting	Changes in corporate reporting that boards need to respond to.	"Integrated reporting draws out the role of the corporation in society… it makes your board and management team have to consider your approach to those sorts of issues".
Sub-theme 5	Market and Operating Conditions	Changes in the 'nature of doing business'.	"There is increasing volatility and disruption with old paradigms breaking down".

THEME 7	Influence of The Board	What can the board do to change the way an organisation works?	"Well, you might ask how a board does anything at all... how they add value is not a no brainer".
THEME 8	Assurance	How do boards perceive their role in assurance?	"The assurance piece plays a key role in that credibility and trust".
THEME 9	CEO Selection, Remuneration, Incentives and Culture	Does sustained value creation figure in the board's oversight of performance?	"What's very clear is that inappropriate KPIs drive inappropriate behaviours".

Table 3.3: RQ2 - Themes, thematic code descriptions and exemplar quotes

RQ2	**Theme Name**	**Thematic Code Description**	**Exemplar Quote**
THEME 1	Value is in the Eye of the Stakeholder	How do directors know what to prioritise when not all stakeholders are the same?	"I am not totally convinced that I know what is expected of me as a director because different shareholders have different wants".
THEME 2	Financial and Non-Financial Value	How do directors think about a broader conceptualisation of value?	"When you think about the complexity of companies these days – you might have tangible assets representing only 20, 30 percent of the market cap, so the value in the accounts".
THEME 3	Social Outcomes Are (Everyone's) Business	As named	"The linkage between financial outcomes and social outcomes is strongly recognised by boards. Three organisations I'm involved in have a very strong social outcome that they achieve. Very, very different constituents, but very much socially-orientated".
THEME 4	Time and Certainty Dimensions	How do directors see the effect of time in their thinking and planning?	"There's a lag time between what you're investing in and uncertainty about what the outcomes will be… You need to understand levels of uncertainty, as well as how things will implement over levels of time.
THEME 5	The Value of Values and Ethics	As named	"Values are seen to be equally as important as the business model".

Table 3.4: RQ3 - Themes, thematic code descriptions and exemplar quotes

RQ3	Theme Name	Thematic Code Description	Exemplar Quote
THEME 1	Knowledge Economy and Digital Economy Opportunity	Issues arising in responding to new world economies.	"It's a digitalisation of our major industrial complexes".
THEME 2	Portfolio Proliferation	Leaders trying to focus on a small number of priority projects, or on experimentation and breadth?	"Large Australian companies need to realise that in this complex world… they need to make a lot of little bets in areas that are relevant to them". "Top down will give you very large meaty, chunky projects. Bottom up allows you to bring the innovative spirit out".
THEME 3	Strategy and Strategic Agility	As named	"The business model itself needs to be agile. At the moment I think there is still rigidity rather than agility".
THEME 4	Internal Insight and Foresight	How do directors understand what is happening inside their organisation?	"In the articulation of the complex world, direct cause and effect of taking actions is not as plain as it used to be… I am not sure that the Board can do its job properly if they haven't got good visibility".
THEME 5	External Insight and Foresight	How do directors understand what is happening outside their organisation?	"One absolute imperative for a leader is, can they see around corners? Can they see what's coming? Because that's their role".

Table 3.5: RQ4 - Themes, thematic code descriptions and exemplar quotes

RQ4	Theme Name	Thematic Code Description	Exemplar Quote
THEME 1	A Friend or Foe of Value Creation	Is governance helpful to value creation or does it constrain and hamper it?	"Probably the main focus of good boards - i.e., good governance practice - is to ensure that they are not in the way".
THEME 2	Dealing With Uncertainty	As named	"It isn't the point of getting it right... its why it's deviated. Understanding the why is more important than having the plan".

THEME 3	Integrating Multi-Discipline Contributions to Knowledge	How do boards access (integrated) cross-discipline expert input and knowledge?	"It's a hive that's self-learning... It's a huge amount of information that has to be processed and passed back and utilised correctly so that good decisions are made – and those decisions keep getting improved"..
THEME 4	Visualisation and Data Representation	How do boards better understand complexity?	"Is this noise or is this something that we should be taking seriously?" "People serve you up tables and numbers. Well, my job is not to analyse the data. Mine is to analyse the information. So, unless you give it to me in an appropriate format, I can't add any value".
THEME 5	Shared Insight Delegation and Activating Aligned Action	As named	"It's the board's key area, for me, after creating value – is setting strategy and ensuring the business is all aligned and heading in the same direction".

Table 3.6: RQ5 - Themes, thematic code descriptions and exemplar quotes

RQ5	Theme Name	Thematic Code Description	Exemplar Quote
THEME 1	Clear Understanding of Purpose	How do boards go about clarifying, expressing and measuring purposeful intent?	"What's your reason for being? Why am I here? What have I refined over time? What's my purpose? And therefore, what's my vision? And if that is the case, what do I think is the best way to get there – and that of course, is strategy and the initiatives underneath the strategy".
THEME 2	Assuring Multi-Bottom-Line and Future Outcomes	As named	"Virtually everything that you need to know can be measured, virtually everything. When you're talking about complexity, ambiguity, technological change, all of which are known unknowns – it's fundamentally what processes and what systematic approach within your organisation for

			decision making are you going to follow. Assuring that you are paying attention to these issues, within a framework that might enable you to come up with some better decisions than you are at the moment. It's a process in a system rather than specific data".
THEME 3	Insight and Foresight in Complexity	How do boards get the insight they need in complexity?	"You can go home at night and go, This is too hard. This is way too complex. You've got to say, I'll go back to basics here. What am I here for? What am I trying to do? And what things should I be doing so I have enough of the systems and people around you to deal with the details".
THEME 4	Optimise Investment, Effort and Focus	How do boards optimise the efforts, focus and resources of the organisation?	"Our challenge will be new ideas and how do you prioritise the effort? We do evaluations of what is going to be of the most benefit to the whole membership".
THEME 5	Board Priority, Focus, Time and Agenda	How do boards optimise the use of their own time towards sustained value creation?	"I think about this a lot, obviously, as chairman to big companies "Are we spending our time on the right matters?"… that's really interesting stuff".
THEME 6	Accountability to Set and Operate an Assurable Governance Framework	How do directors think about their own responsibilities to put fit-for-need governance frameworks in place?	"Boards can get any information that they request and that they believe is relevant to their deliberations. So, if they're not getting the right information, it's as much their fault as management's".

The frequency with which respondents spoke of each of the themes is a relevant consideration in considering the strength and reliability of coding in this thesis. Table 3.7, following, outlines the number of respondents identifying each of the themes, and the number of excerpts from transcriptions that were coded to each theme.

Table 3.7: Count of respondents and excerpts coded to each theme.

		Theme	Count of identifying respondents	Count of excerpts coded
RQ1	THEME 1	Fiduciary Duty and the Role of the Board	30	103
RQ1	THEME 2	Optimised Stewardship of Assets	22	41
RQ1	THEME 3	Optimised Creation of Value	35	80
RQ1	THEME 4	Optimised Risk, Opportunity and New Challenges	33	126
RQ1	THEME 5	Sustained Value Versus Short-Termism	46	160
RQ1	THEME 6	Exogenous Pressures	*heading*	*heading*
	Subtheme 1	Increasing Regulatory Compliance	16	20
	Subtheme 2	ESG and Other Measures	14	29
	Subtheme 3	Markets Active Investors and Activist Stakeholders	34	115
	Subtheme 4	Reporting	24	50
	Subtheme 5	Market and Operating Conditions	35	59
RQ1	THEME 7	Influence of The Board	17	31
RQ1	THEME 8	Assurance	21	41
RQ1	THEME 9	CEO Selection, Remuneration, Incentives and Culture	34	84
RQ2	THEME 1	Value is in the Eye of the Stakeholder	17	37
RQ2	THEME 2	Financial and Non-Financial Value	32	81
RQ2	THEME 3	Social Outcomes Are (Everyone's) Business	23	69
RQ2	THEME 4	Time and Certainty Dimensions	19	47
RQ2	THEME 5	The Value of Values and Ethics	14	26
RQ3	THEME 1	Knowledge Economy and Digital Economy Opportunity	26	53
RQ3	THEME 2	Portfolio Proliferation	37	111
RQ3	THEME 3	Strategy and Strategic Agility	48	174
RQ3	THEME 4	Internal Insight and Foresight	45	143
RQ3	THEME 5	External Insight and Foresight	28	74
RQ4	THEME 1	A Friend or Foe of Value Creation	19	42
RQ4	THEME 2	Dealing With Uncertainty	31	85
RQ4	THEME 3	Integrating Multi-Discipline Contributions to Knowledge	32	68
RQ4	THEME 4	Visualisation and Data Representation	27	63
RQ4	THEME 5	Shared Insight Delegation and Activating Aligned Action	36	114
RQ5	THEME 1	Clear Understanding of Purpose	24	53
RQ5	THEME 2	Assuring Multi-Bottom-Line and Future Outcomes	43	191
RQ5	THEME 3	Insight and Foresight in Complexity	53	210
RQ5	THEME 4	Optimise Investment, Effort and Focus	31	141
RQ5	THEME 5	Board Priority, Focus, Time and Agenda	30	93
RQ5	THEME 6	Accountability to Set and Operate an Assurable Governance Framework	43	186

The research questions evolved out of the data through the process of developing, stabilising and grouping the themes, following the advice of Agee (2009, p. 432) that "Good qualitative questions are usually developed or refined in all stages of a reflexive and interactive inquiry journey". Whilst the interview protocols and data gathered were guided by the study's aim, the research questions were reflexively derived through data analysis. This reflective data-driven approach to analysis and determination of meaning from discovered structure (Agee, 2009), enabled the study to overcome the lack of available questions from similarly focused prior research. At the commencement of the study neither the researcher's expert intuition (Cutcliffe & McKenna, 2004), nor the literature, suggested which questions would best interpret the data. Rather, as noted by Creswell (2007, p. 43) "Our questions change during the process of research to reflect an increased understanding of the problem". The evolved structure of research questions and themes, arising from the data, reflected the integrated and multidisciplinary approach. The interaction and integration of the layered research questions was illustrated by the themes, whilst each theme evolved to describe multi-disciplinary perspectives from which the research questions may be better understood. Each was contextualised in the literature. Table 3.8 shows examples of the types of questions that arose from the data during the analysis process, and the research questions as they were formed. This table was used to provide interim and developmental guidance for the researcher, and does not represent the final analysis.

Table 3.8: Linking data to the development of research questions

Governance and Sustained Value Creation	**A Description of the Five Studies and Five Research Questions** This table provides an indication of the types of questions arising from the data – and, in the left column the research questions as they were formed.
Study One: Exploring director perceptions of fiduciary duty and their role in sustained value creation. **RQ1:** How do directors perceive fiduciary duty and their role in the context of sustained value creation?	**What is important to the role of the director in sustained value creation?** How do directors see their role in sustained value creation. What do they think is expected of them as directors? How do they understand their role in maximising the assets they oversee, and the creation of new value. How do they understand their role in optimising risk and opportunity over the short and longer term. What are the outside pressures that impact their role, and what are the constraints on their ability to exercise their role? What is their role in assuring that the organisation is developing reliable information and performing optimally to achieve directors' aspiration?

	Is sustained value creation a director's issue? Can they achieve it if they don't acknowledge it as a measurable accountability? What parts of it are they already aware of and engaged in?
Study Two: Exploring director perceptions of value. **RQ2:** How do directors perceive value?	**What do directors know about their objectives in sustained value creation?** How do directors understand value, as it is different for different stakeholders, and as it covers both financial and non-financial outcomes? How do they see social outcome measures, and is there consistency or differences in whether they are a commercial or public sector organisation? How do directors understand how value changes over time, and how do directors perceive the value of values and ethics? **Are all forms of value a director's issue? Can they achieve different forms of value if they don't acknowledge them as a measurable accountability? What parts of it are they already aware of and engaged in?**
Study Three: Exploring director perceptions of the factors of value creation. **RQ3:** How do directors perceive the factors contributing to value creation?	**Do directors know how sustained value creation is achieved in their organisations?** Do directors perceive value in knowledge and digital economy opportunity? How do they engage with this? Are directors looking to focus down their efforts, or expand them out, and how do they perceive the issues? How do they understand and work with strategy, and strategic agility? How do they understand, work with and consciously direct, internal and external insight and foresight. **Are the 'means of production' of sustained value a director's issue? Can they direct it effectively if they not aware of how it works? How do they understand their engagement with value creation activity within the organistion? What parts of it are they already aware of and engaged in?**
Study Four: Exploring director perceptions of practices and controls for value creation. **RQ4:** How do directors perceive the practices and controls of effective value creation?	**Do directors know how sustained value creation is managed and controlled?** Do directors think they should be 'interfering' with value creation… or taking a leave it alone and let it happen approach? How do directors understand uncertainty of outcomes in the information provided to them? How do they cope with it? How conscious are directors of where their information comes from, and do they seek multiple integrated opinions? How do they understand what is presented to them? Do they get the insight they think they need? How can they engage with the information? Does the information presented at the board align and focus the way the organisation behaves? **Are the management practices and controls of sustained value a director's issue? Do they know where reliable information comes from, that might help them to direct effectively (both oversight and direction)? How do they understand the mechanisms of their engagement with value creation? What parts of it are they already aware of and engaged in?**
Study Five: Exploring director perceptions of the board's capacity to direct sustained value creation. **RQ5:** How do directors perceive the board's capacity to direct sustained value creation?	**Do directors know how to direct sustained value creation?** Do directors and board discuss their organisation's purposeful and measurable objectives? How? How do directors get confidence in progress towards multi-bottom-line future objectives? How do directors deal with, and get clarity within the complexity? How do directors take the complexity and uncertainty, and optimise the efforts and resources of the organisation towards long term value? Do they do this? Do they try? How do they think about their own time and focus, and how do they lift the value of their own efforts? How do directors understand their role in relation to setting and operating governance practices that run through the organisation, to give the board the information it needs to be effective? **What is it about the directors own behaviours, practices and thinking that impacts sustained value creation? Do they know how boards can be effective within the complex context they describe? How do they understand the effect they can have on the organisation's sustained value creation? How do they perceive their responsibility for creating the governance they need?**

Examples of the types of reflections that may be considered from this approach, although they are beyond the scope of the questions addressed in this thesis, are provided in the table following, Table 3.9.

Table 3.9: Example of layered multidisciplinary perspectives on research questions

Investigation of the link between Governance and Sustained Value Creation	**Layered, Multi-Discipline Perspective** simplified *examples* of reflections from different perspectives		
Five Studies and Five Research Questions	**Corporate Governance**	**Sustained Value Creation**	**Reflections on a Mature Governance Practice**
Study One: Exploring director perceptions of fiduciary duty and their role in sustained value creation. **RQ1:** How do directors perceive fiduciary duty and their role in the context of sustained value creation?	Do directors think SVC is important to their role?	Are directors explicit about purpose and value creation?	What is the role of directors in a mature governance model?
Study Two: Exploring director perceptions of value. **RQ2:** How do directors perceive value?	Do directors know their objectives?	What range of value and values are considered?	Are available measures objective, consistent & reliable?
Study Three: Exploring director perceptions of the factors of value creation. **RQ3:** How do directors perceive the factors contributing to value creation?	Do directors know how SVC is achieved in their organisations?	Do directors see value as it is created in their business projects and LOBs?	Where is the 'transactional' data on what is happening?
Study Four: Exploring director perceptions of practices and controls for value creation. **RQ4:** How do directors perceive the practices and controls of effective value creation?	Do directors know how SVC is managed and controlled?	How do directors understand the available practices measures and controls?	How does 'accounting for' data create reliable insight & action?
Study Five: Exploring director perceptions of the board's capacity to direct sustained value creation. **RQ5:** How do directors perceive the board's capacity to direct sustained value creation?	Do directors know how to direct SVC?	How do directors see governance practice supporting SVC?	How does mature governance enable directors?

Finally, Figure 3.4 shows how attributes associated with each participant were coded using NVivo's case classification capability. Use of this feature in the NVivo software enabled quantification of the characteristics of respondents, and their breakdown across organisation-roles combinations and sectors. Further analysis of sectoral breakdowns as they were associated with each of the themes was determined by exporting data from NVivo to Microsoft Excel.

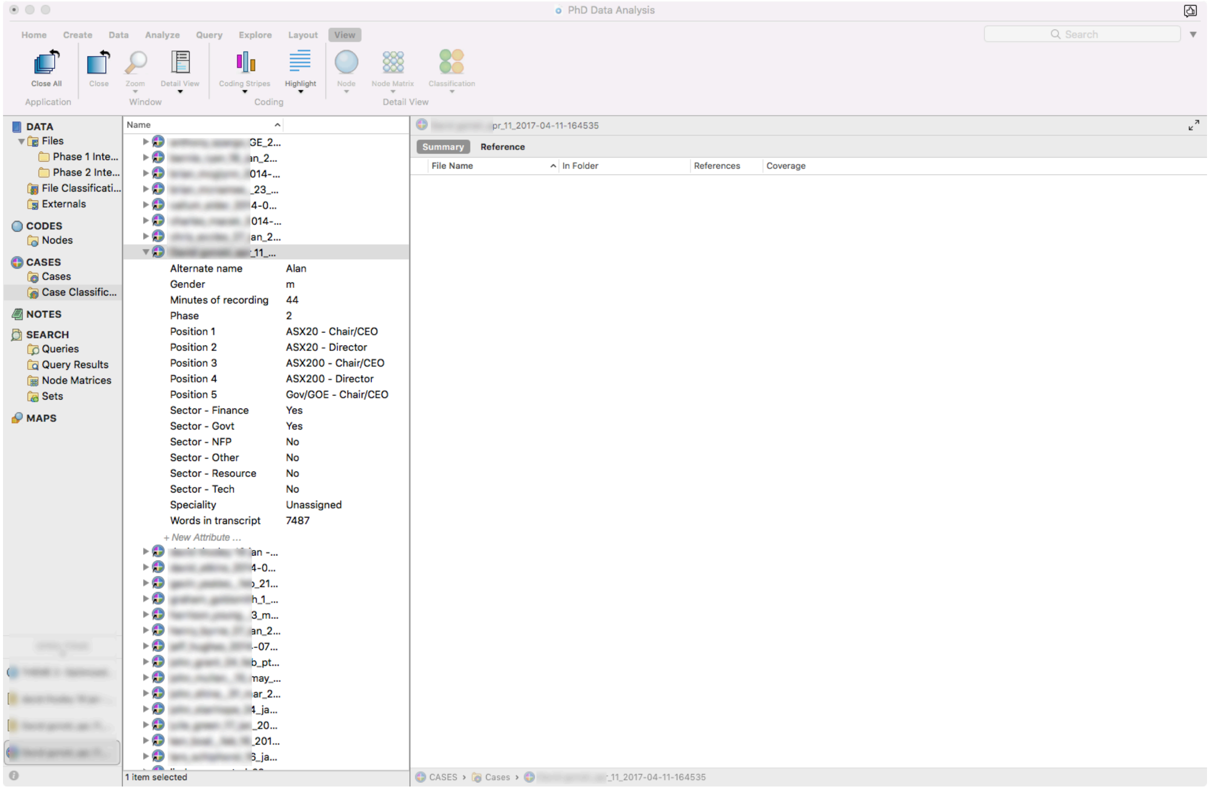

Figure 3.4: Example of Participant Characteristic Classification within NVivo

The iterative, reflective and non-linear process undertaken using the NVivo software enabled an analysis layered by research questions, and integrated and multi-disciplinary across and within subordinate themes. The themes, and the relationship between themes and research questions can be seen in the structure of Chapter 4.

3.7. **Trustworthiness**

Various techniques were employed to maximise the trustworthiness of findings. All interviews were recorded with the permission of respondents. The recordings were transcribed by a professional service and sent to participants for verification, giving them the opportunity to correct or redact the written record of their interview (Stiles, 1993). Transcripts were further quality checked by the researcher against the original recordings.

The conversational nature of the semi structured interviews allowed the researcher to reflect on his understanding as the interview unfolded, and elicit confirmation and illustration from participants on key issues that were raised. This confirmation and illustration by participants served as a check of the accuracy of researcher's interpretation (Stolorow & Atwood, 1984).

The six phases of Braun and Clarke (2006) method are represented in the iterative, reflective and non-linear development of themes used in this research, driven by the data, and increasing understanding of it over time. Criteria for trustworthiness (Lincoln & Guba, 1985) were met at each phase of thematic analysis.

As indicated in the first of Braun and Clarke (2006) phases, the researcher had a prolonged engagement with the data, revisiting each of the transcripts many times through the phases of development of the thesis, and as outside events and peer discussions prompted re-inquiry. Well organised archives (Lincoln & Guba, 1985) enabled repeated referral and familiarisation to occur. Generation of the initial codes, identified as phase two of the method, was undertaken on an iterative basis in response to the what was identified in the data from systemic attention to each data item (Braun & Clarke, 2006) based on a provisional template (King, 2004). This was further refined on the basis of the researcher's discussions with supervisors and a developing understanding of meaning and context of the data (Attride-Stirling, 2001). Themes were developed in line with phase three of the Braun and Clarke (2006) method, identifying patterns in the codes (Aronson, 1995) that responded to layers in provisional diagrams (Crabtree & Miller, 1999). As themes developed and matured on the basis of the coded data, it became possible to consider and review their meaning (Attride-Stirling, 2001), as described in phase 4 of the method (Braun & Clarke, 2006). The patterns emerged from an understanding of these themes could was identified as the basis for a layered and integrated analysis as recommended in governance research (Aguilera et al., 2016). As indicated by phase 5 (Braun & Clarke, 2006), the names of the themes were considered in relation to each other, discussed with supervisors, and further refined (King, 2004). The report production as proposed in phase 6 of the method (Braun & Clarke, 2006) saw the use of NVivo to provide a clear audit trail from the raw data to the evidence produced. Quotes from participants are included to support each of the findings and claims made by the researcher. A document style has been applied to clearly identify the quotes made by interviewees. All quotes present the participant identifier, a pseudonym, that can readily be traced back to the files from which the quote has been sourced (King, 2004). This approach ensures that the names of individuals and organisations are not revealed within the research whilst still providing a clear 'audit trail' back to the original data source. This contributes to the credibility, transparency and integrity of the research. While there was a great volume of informative quotes available, only the most meaningful quotes have been included to improve the flow and readability of the thesis.

The observation of convergence of responses in themes and subthemes from different participants further serves to establish the reliability of the data, and its findings (Strauss, 1990). To provide transparency on this factor, the number of participants identifying a particular theme is reported in the findings of each theme, under each research question. A table showing the frequency of coding to each theme is provided in Table 4.1.

Finally, the results of this research are expressed tentatively. The qualitative nature of this research does not seek to predict or generalise, but instead aims to explore and enhance understanding of what is relevant to the practitioners who are actively involved in governance practice (Stiles, 1993).

3.8. **Ethics**

The two most pressing ethical issues related to informed consent and confidentiality and privacy.

3.8.1. Informed consent

The study was conducted according to the ethical codes of La Trobe University and standard ethical practices required of any reputable academic research (Kellehear, 1993). The ethical requirements for 'informed consent' in research required potential informants formally providing informed consent to participate in a research project as an exercise of their choice, free from any element of fraud, deceit, duress, or similar unfair inducement or manipulation (Berg & Lune, 2004; Collins & Hussey, 2003). Potential participants were informed in writing about the purpose of this research project (See Appendix A.1) and their signed consent forms (See Appendix A.2) were collected before a qualitative interview was initiated.

3.8.2. Confidentiality and privacy

Berg and Lune (2004, p. 48) describe confidentiality as "an active attempt to remove from the research records any element that might indicate the subjects' identities". This study allocated a coded identification to participants using a pseudonym and some generalised segmentation labelling attached to direct quotes. Pseudonyms allowed the reporting of findings to maintain a 'real world' connection for readers whilst ensuring agreed levels of confidentiality and privacy were maintained (Kaiser, 2009).

Source data which contained identification content was kept separately in a secure manner according to the data protection regulations of La Trobe University. In accordance with the terms of the consent form, individual names and identifiable details were only used where specific written consent to do so was sought and received from the identified individual.

3.9. **Chapter Summary**

This section provided an extensive overview on the research methods applied. The research has adopted a qualitative, integrated, multidisciplinary approach analysing data drawn from semi-structured interviews with 55 directors and governance experts including some of the nation's most senior and experienced practitioners.

The chapter has detailed: (a) the researcher's background and its relevance to the research; (b) the qualitative research approach; (c) methods of data collection; (d) details of participants and participation; and (e) how the findings are coded using thematic analysis. The chapter concluded with a discussion of ethical considerations and trustworthiness.

CHAPTER 4

4. Chapter Four: Findings

4.1. Introduction

This chapter presents the findings associated with each of the five research questions that underpin this thesis:

RQ1: How do directors perceive fiduciary duty and their role in the context of sustained value creation?

RQ2: How do directors perceive value?

RQ3: How do directors perceive the factors contributing to value creation?

RQ4: How do directors perceive the practices and controls of effective value creation?

RQ5: How do directors perceive the board's capacity to direct sustained value creation?

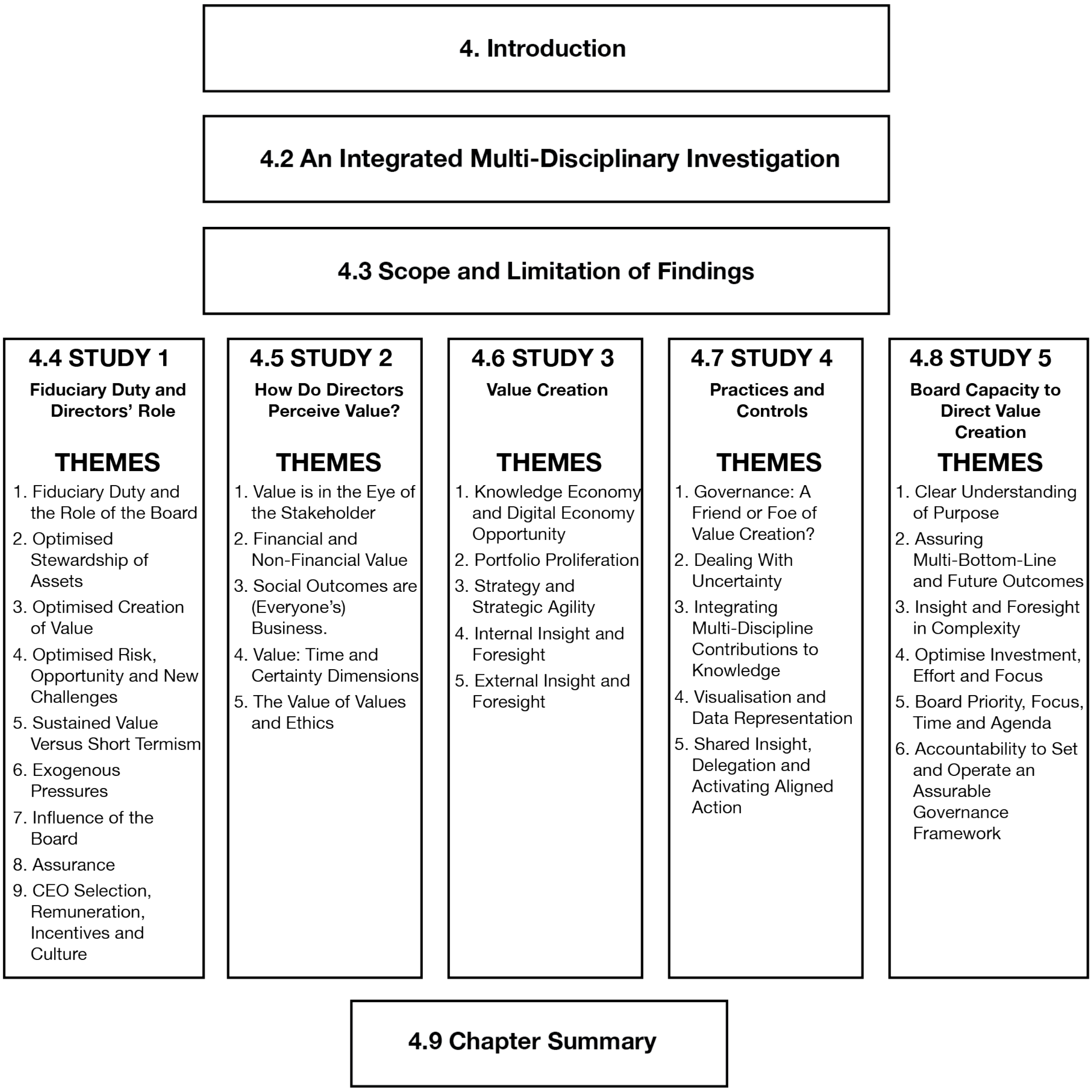

Figure 4.1: Findings Structure

The chapter presents an analysis of the participant interviews and provides quotes to illustrate significant points. The chapter concludes with a summary of the analysis.

The structure for the findings section is presented in Figure 4.1.

4.2. **Integrated Multi-Disciplinary Investigation**

This thesis' aim of "Exploring the link between corporate governance and sustained value creation" has sought to overcome the weight of convention, and unintended assumptions of prior theories and research, by asking directors about their perceptions of what they think is important as the strive to direct sustained value creation. The findings attained through this process, and their relationship to existing theory and practice will be explored in Chapter 5.

A large quantity of in-depth data was procured from 55 interviews, averaging 64 minutes in length with some of Australia's most senior directors, supported by a smaller number of interviews with relevant subject matter experts. Open questions framed from a variety of approaches allowed participants to respond from their own perspective on the topic of the questions. The responses varied based on people's appreciation of the question, their comfort zones, their experience, and which of various relevant perspectives they chose to take. Directors were encouraged to explore the topics. Directors might in one sentence describe reports they receive at the board, their experience in off-site strategy days, their understanding of the operation of specialist innovation units, or their experience within a specific project. Directors reported conversations, aspirations, regrets, ideals, trends, learnings, experiences and challenges.

This approach drew out integrated multi-disciplinary responses that spoke to directors' perceptions and thinking rather than their reflections on a known model. These responses have been analysed using thematic analysis through five studies related to each of the five research questions.

RQ1: How do directors perceive fiduciary duty in the context of sustained value creation?

RQ2: How do directors perceive value?

RQ3: How do directors perceive the factors contributing to value creation?

RQ4: How do directors perceive the practices and controls of effective value creation?

RQ5: How do directors perceive the board's capacity to direct sustained value creation?

Each of these have been dissected further into various themes relevant to studies of those layers. Each theme was discussed in terms of different perspectives taken by the respondent - relating to component disciplines, methods, thinking, objectives, issues, experiences, ideals and approaches - involving various levels of formality and specificity.

The result discussed in the summary is an integrated multi-disciplinary mapping of directors' perceptions of various aspects of governance as it relates to sustained value creation.

4.3. **Scope and Limitation of Findings**

The exploratory nature of the investigation undertaken in this thesis does not support findings about governance that are comprehensive or exhaustive. The findings indicate that some directors find the themes explored in this section to be relevant to their consideration of their role, governance and sustained value creation.

4.4. **Exploring Director Perceptions of Fiduciary Duty and Their Role in Sustained Value Creation (Study One)**

Study one explores director perceptions of fiduciary duty and their role in sustained value creation. The study addresses this research question:

(RQ1) How do directors perceive fiduciary duty and their role in the context of sustained value creation?

Data analysis identified nine themes:

- THEME 1: Fiduciary Duty and the Role of the Board
- THEME 2: Optimised Stewardship of Assets
- THEME 3: Optimised Creation of Value
- THEME 4: Optimised Risk, Opportunity and New Challenges
- THEME 5: Sustained Value Versus Short-Termism
- THEME 6: Exogenous Pressures
- THEME 7: Influence of The Board
- THEME 8: Assurance
- THEME 9: CEO Selection, Remuneration, Incentives and Culture

4.4.1. THEME 1: Fiduciary Duty and the Role of the Board

Directors perceive that sustained value creation is a core part of their fiduciary duty, and that that attaining sustained value creation is a fundamental role of the board. In all, 30 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that sustained value creation was not part of their role, their fiduciary duty, or the role of the board.

Fiduciary duty was raised by participants from a variety of different angles reflecting many different pressures and expectations under which a director needs to operate. The responsibility was identified by some participants in relation to directors' stewardship of the organisation for the long-term benefits of its stakeholders:

> *Our fiduciary responsibility requires us to think long-term, because our stakeholders, if we do our job right, then we'll be delivering value for them throughout their life.* **Gregory**

Other participants reflected on their responsibility to ensure the organisation's survival beyond the life of both shareholders and directors:

> *In the longer-term, people come in and out of shareholding, directors come and go as directors, but we have a duty to keep the ship going.* **Alan**

The systemic pressure that exists for short-term behaviours was widely discussed, but directors also considered it their responsibility to resist this pressure and lead for the longer-term:

> *This has to be, in a listed environment, the board saying to management "we will cop any flak", the question is "is this the right long-term approach?", and we want to keep a constant tab on how things are going.* **Chip**

The concept of sustained value creation was also raised through discussions on directors' roles in promoting the value of their organisation to investors:

> *If they believe that either embedded in the existing organisation, or the skills of the management, you have a company that has perpetual growth, you are valued much more highly.* **Shaun**

4.4.2. THEME 2: Optimised Stewardship of Assets

Directors understood that their fiduciary duty included a need to optimise their stewardship of assets. In all, 22 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that stewardship of the assets under their care was not part of their role, their fiduciary duty, or the role of the board.

The concept was expressed by participants in a number of different ways. Some participants recognised it holistically as a core element of the director's role:

> *If you are a director of a company, you are a fiduciary. That is simply a custodian that is looking to pass the company on to the next custodian in better shape than they picked it up.* ***Chip**.*

Asset stewardship was embraced readily through the perspective of the appropriate use of assets:

> *We've got a very strong return of capital focus in the business. While we're looking at net profit and earnings per share and so on, we're always looking at return on capital and return on equity as measures because in the long run, it's that which will allow you to outperform, in terms of returns to shareholders.* ***Maurice**.*

Some respondents understood the nature of their business as being the stewardship of a portfolio of assets of financial value, that they actively trade in and out of over time:

> *At the moment, we are looking at selling our coal assets, both steaming coal and coking coal, and we're looking at spinning off [name omitted]. And we're looking at 20 other opportunities around the place and that's all driven by a view about where we want to be in due course. We think that there are some disadvantages to us owning coal. Steaming coal in particular may become unpopular to the extent that it has an effect on our brand.* ***Maurice**.*

Stewardship of assets was reported as both a buy-low-sell-high strategy, and a need to nurture the development of value in individual assets over time:

> *We spot assets which have been poorly-managed, get hold of them and then get the team in place to manage them properly or manage them effectively. That's the secret.* **Brendan**.

> *If you compare managers and compare assets, the managers who are good at actually improving the performance of the asset are the ones that have had far better returns. I think demonstrably much better returns… if they are good realising the value of the asset.* **Brendan**.

Some respondents spoke in terms of best efforts, market acceptable outcomes and comparative performance.

> *We look at producing, at a minimum, acceptable returns on the assets involved. But, are we growing? What else is happening in the environment? Are other people are doing better? Could we have done better? Why haven't we done better?* **Brendan**.

Other respondents looked at asset stewardship through their need to care for, or to enhance the productive value of the operational assets that create revenue in their business:

> *We would just call it asset health. When you look to the long-term, clearly, we're depleting a non-renewable resource base. So, one of the key underpinnings as a first set of principles is, we want to maximise the value and the benefit that we can get from that unique resource base. So, there's a lot of focus on optimising at that piece. So, there's a lot of pretty leading-edge sophisticated work goes on in the mine planning area.* **Rupert**.

Some respondents demonstrated a natural comfort with engineering practices that continually look to optimise value towards a theoretical limit:

We model hypothetical maximum throughputs of the system, and wherever we are in terms of effective utilisation rates for a piece of equipment, an ore body, a train, a port loader, what have you. Obviously, if you could get that to the theoretical maximum, you can calculate that very easily. What's the delta? What's the value being left on the table, what's the quantum of the value, how on earth are we going to get it, and what's the pathway? It's not just how you talk about value, it's also the pathway to value delivery and therefore, the risk to that value delivery as well. ***Rupert**.*

Asset stewardship was reported as contributing to more than just financial value:

The idea of running regional Australia is actually not very economic. We can unwind all those assets, and not provide to regional. You could do that from an optimised portfolio point of view, but you sure as heck couldn't do it from a brand or from a community expectation, or a government expectation point of view. ***Arthur**.*

Several respondents reflected that a strong systemic focus on asset preservation worked against companies' need to adapt to changing market conditions:

The challenge for many companies is that there's more reward for preservation of the existing business model and the existing economics embedded in that business model. To some degree, that's what they're paid for. And so, really, their core skill is often consistent with the maintenance of that business. They promote people consistent with that business and they measure those things consistent with that business. ***Stan**.*

You can't invest a new core. The core is here… and opportunities are there. You have to invest in new things, and most of the investors and analysts *don't like that. They say, "No, just don't change. Keep doing what you're doing. Now that's providing returns to shareholders".* ***Edward****.*

4.4.3. THEME 3: Optimised Creation of Value

Directors understand that their fiduciary duty includes a need to optimise the creation of value. In all, 35 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that creation of value was not part of their role, their fiduciary duty, or the role of the board:

> *Risk and governance are critical. But for any commercial enterprise, the number one function of the board is to create value.* ***Clark.***

Other respondents observed the need to create value as a fundamental assumption.

> *But normally a company would be adding value and would be having a plan for innovation and integration. I mean you got to create value or you're not doing anything.* ***Larissa****.*

Some respondents spoke in terms of taking bets, or having a crack, rather than a governance process to consider optimum value creation.

> *Some investments will work, and others will be seen afterwards as a good and valid idea at the time. We've used our best judgement; encouraged management to have a crack. But ultimately if they get seven out of those ten right, we will advance well.* ***Chip****.*

Value creation was reported as a judgement made in reference to pressures from the market and the analysts – rather than being assesses against an ideal:

> *My chair used to say, "Are we spending enough? Are we spending the right placement, and using the power of our balance sheet to invest in the future"? It's a really important discussion. I think we have those discussions. There's a lot of pressure to get cap ex to sales ratio down from 14 to 15 percent down to ten, 11 percent, and because the investment community would see more cash and get more dividends. And we'd say, "Well, is that sustainable, ten and 11 percent?" for a business like ours with big infrastructure and trying to drive innovation. I think we did have the discussions. I'm not sure we were as bold as I think we should have been.* ***Mark****.*

Some spoke of the market's influence on capital as a constraining factor in value creation:

> *From a board perspective, there is a level of cash that we are able to consume that still delivers to a market perspective – particularly to institutional investors and to the stock market in general, an outcome that's in an acceptable range.* ***Arthur****.*

However, there was some reporting of the responsibility of the board to take a leadership role to set and drive the aspiration for the organisation based on its potential – and to bring the market along on that journey:

> *[Name omitted] is probably at the sharp end at the market where our CEO will say with the board's support, "We're doing this. We're learning to grow this business. We're not harvesting and if you don't like that and you don't want to be a long-term shareholder, for the long-term play, then maybe invest elsewhere"* ***Chip****.*

This has to be the board saying to management "If we have ten things running and only two or three of them are any good then we're doing something wrong, but if seven out of ten are right, then that's earning value to the organisation, and that's what we should be doing". ***Chip****.*

Some respondents reflected on the difference between value capture and value creation:

I believe that the purpose of an enterprise is to create value… That's the framework that I sit in. So, when somebody says, "We can make money at that," I am inclined to say, "Are we creating any value?". Too much of the finance industry around the world do nothing but arbitrage trading, and you're not creating any value. You can say that you're creating value by making the markets more efficient but that's fiddlesticks. ***Gordon****.*

The role of the board guiding management towards the purposeful and sustained value creation was also described:

You're changing the way management thinks. You're actually forcing them to think in the way that adds value. This is about value adding instead of about defensiveness. ***William****.*

In a complex organisation, it requires all of the divisions to be thinking about how they perform over a long period as opposed to a short period and how they're going to be a lot better in 15 years than they are now or in two years' time. It puts the onus on the development strategy, the value adding strategy, as opposed to just keeping the investors happy. ***William****.*

It's thinking about where you can have the maximum impact in creating value. It's being careful and not just creating value for value's sake. ***Ursula****.*

The responsibility of purposeful value creation was taken further by some

> *It's very opportune time for us to add value and increase the size of the business, the scope of the business, and the amount of value we can add to our clients and members… The purpose, the mindset of why we are mutual, why do we exist and therefore what would our members expect of us in this circumstance dominates the thinking process. It doesn't completely dominate. I mean clearly commercial comes are important. More and more, what we're doing is we're framing the mutual purpose as our contribution to community.* ***Clayton**.*

And leadership in value creation was reflected from the government perspective, and the government's perspective of corporate leadership.

> *Innovation has really only been adapted by the top 10% of the community. The review on the $11B spent by the federal government on innovation showed that Australia is very good at knowledge creation. What is not very good is knowledge transfer and commercialisation in the corporates.* ***Brigitte**.*

The role of governance was identified as an explanation of why, in the equal presence of technology and opportunity, creation of value was so unevenly distributed:

> *They're not generating 30% compound growth in shareholder value like CSL. I've asked myself this question, "Why aren't more companies doing it?" Because that middle piece, and the governance of that, and the backing to say, "We have an expectation". CSL has now an expectation on them that they're going to continue to do that. It's built-in to their price-earning*

> *pressure. They have an expectation other organisations don't. The question is "Why not?". I don't know why that is.* **Francis***.*

And it was reported that optimising the creation of value requires consistent and constant review by the board:

> *First you realise that it's not static. It's continually changing. And you'll never be optimum. You're always trying. You're always optimising. By constantly reviewing the portfolio of projects coming through the organisation and their status, and how they're going, and where they are at.* **Graeme***.*

4.4.4. THEME 4: Optimised Risk, Opportunity and New Challenges

Directors understand that their fiduciary duty includes a need to optimise risk, opportunity and new challenges. In all, 33 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that optimising risk, opportunity and new challenges was not part of their role, their fiduciary duty, or the role of the board.

The centrality of the need for directors to consider risk, opportunity and new challenge was succinctly put by one respondent:

> *By definition, our job is to take risks.* **Alan***.*

Similar sentiments were expressed by others:

> *The Board really needs to set the appetite of how much we prepared to innovate or change, how much of it is defensive, how much of it is adaptive, and how much of it is getting in front of those changes? Are we going to close the wagons, are we going to look for new opportunities? How much are we really prepared to invest? This is the Board's decision to make; how much are they prepared to invest in our future?* **Gregory***.*

> *The highest and best use of a board, the reason for a board, is to address apples and oranges problems or decisions of how we see around the corner when we don't even know the corner is there.* ***Gordon.***

The issues involved were widely discussed:

> *That's probably what boards grapple with the most; the management's recommendation as to how to deal with a competitive landscape, changes in technology, etcetera. There's a huge amount of change, and management have got a whole rife of strategies to try to address that. Some involve capital to survive, not necessarily giving you the best return, but if you don't do it, you're going backwards… It is proving extremely hard to find new products and new areas to invest. We are fortunate, we have capital. It's not a question of having to even necessarily prioritise. It's a question of finding the actual opportunity in which you get an adequate return on that money at all. And that we're not good with that.* ***Edward.***

> *There's no such thing as a shortage of capital. There's a shortage of good opportunities.* ***Andrew.***

The question of whether the optimal balance is being struck, and whether it was being deliberatively addressed, was also discussed.

> *Are they maximising opportunities to the fullest extent? They seem to take a personal view that they are. But no one is testing it in reality… If you are considering as a board what the future projection of value is for the company you mostly don't know how to manage that because you're not used to dealing with opportunity, risk around that opportunity, and what you're trading off. You don't have the information a lot of the time. It's a risk that is*

not managed. A substantial amount of risk that affects the value of the company is poorly managed at the board level. ***Mai-Lin.***

Some identified a board needing to set risk posture in response to, or in reference to the investment market:

There's got be an alignment between what the company is doing and what its shareholders' tolerance for risk is. That's the real risk tolerance ultimately. It's what your shareholders are prepared to accept. ***Andrew****.*

The needs of survival in a competitive marketplace were discussed:

Whilst there's a lot of disruptive change, there is discussion about how we can actually be a disruptor. You've got a think more assertively, aggressively, or positively about disruption. The boards I'm on, that's the sort of conversation we have. ***Quentin****.*

There is an issue of not having the right number of bets. You got to have plenty of bets because it's keeping you in the market, knowing what's going on. It allows you to make much better decisions than, "Oh, I'm going to sit there and wait until the 100% probability bets come past". Because then I'd be wrong for sure. ***Brendan****.*

Questions of optimal exploitation of opportunity raised discussions about the purpose of the organisation - and the importance, structure and execution of governance:

I chair a risk committee. The conversations around the table now, were resisted previously. Now there is engagement, and we can see the value of our risk approaches. It has led to a fundamental discussion related to the *reason for the organisation's existence and its roles and responsibilities.* ***Ursula****.*

The board provide really important governance of the organism. We tried to create layers of optionality and opportunity inside the company. There was no one plan. But by having the combination of integrating our business development and our layers of innovation development, we could continue to grow and prosper as an organisation. ***Stan****.*

Problems in director's skills were highlighted – as was the gap between director's personal risk appetite and the risk appetite appropriate for the organisations on which they serve:

The understanding of risk on a part of people who are not risk professionals is very, very poor. ***Gordon****.*

The significant boards which control a large part of the country's assets, don't invite you to be part of that board unless you have already been successful. If you've already been successful, and human nature being what it is, you are likely to be concerned about preserving your personal reputation. You can destroy what you built up over a 30-year executive career, with one bad blunder on a board, and all of a sudden, your whole career's reputation is trashed. That reinforces a conservative nature. ***Andrew****.*

The fear of failure is higher than the promise of or the joys of success. This give us this risk aversion. ***Mark****.*

We were okay with a billion-dollar project, but we wouldn't fund the smaller ones because we say, "Well, why do we need to?". ***Mark****.*

The impact of director conservatism on the organisation was also explored:

> *It's easier for this company to make $500M investment decision and three years later write off the whole lot - than it is for it to make a $5M investment decision and it'll either be written off or it might turn into 50 million or 100 million. And it's perverse because it's a misunderstanding of risk.* ***Andrew****.*

> *The paradox in the modern world of ambiguity and change – is that avoiding risk is actually the riskiest thing you can do. Doing nothing – because there's all this uncertainty – is actually very, very risky.* ***Andrew****.*

4.4.5. THEME 5: Sustained Value Versus Short-Termism

Directors understood that their fiduciary duty includes a need to balance sustained value against short-term pressures. In all, 46 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that sustained value creation was not part of their role, their fiduciary duty, or the role of the board.

The centrality of the need for directors to prioritise sustained value creation was addressed from a variety of perspectives:

> *We don't see value creation as being just a moment in time. Our fiduciary responsibility requires us to think long-term.* ***Gregory****.*

> *The board of a top 200 company needs to be thinking about where it's going to be in ten, 15 years' time.* ***William****.*

> *Audit talks about it as a going concern. In the longer-term people come in and out of shareholders. Directors come and go as directors. But we have a duty to keep the ship going.* ***Alan****.*

How this requirement translated into action was different for different people:

> *If the board encourages management and managing director to think about long-term investment, which is harder in a listed company than non-listed companies, then you're taking into account your future and your fiduciary requirement.* ***Brigitte****.*

> *Sustainable is the important word. A good board – a good company like [name omitted] use things like resilience, agility, boldness. They are part of our DNA. They are part of what we want the company to be. And they're integral components of our success.* ***Andrew****.*

Some directors spoke of sustainability owed to the organisation, whilst others spoke in terms of being answerable to markets and stakeholders:

> *For 34 years I've been balancing, but not as acutely as I'm balancing now. And I'm balancing, the longer-term, but I've also got the shorter term. I've got the staff whose work this is. And I've got the shareholders. I've got activists – they're usually short-termers and I've also got long-term holders.* ***Alan****.*

Sustained value was reflected as identified as responsible for bringing new thinking to organisations – at the board and within the executive:

> *The question is, has the company developed a long-term strategy which would result in the business of the company maintaining value creation in a sustainable manner? It has to be in a sustainable manner otherwise it is not going to maintain value creation long-term.* ***Jeremy****.*

The chairman of the Board wants to be more closely involved in the decisions for the long-term future of the company. The Board feel responsible for the longer-term strategy of the company and the CEO more responsible for the operational planning. ***Warren****.*

We had a conversation about how to embed the longer-term view in the organisation. We had to drive it up beyond the CEO to the board because even the CEO recognised that this has to outlive his journey. The board has to own it. ***Hayden.***

The senior leadership are fully aware that they've got to do the long-term thing, but everything environmentally around them is pulling them to the short-term. Investors are the worst. Someone has to take the long-term view and boards and CEOs are doing that, but it's a hard, hard road against everything in the environment pulling them to the short-term. ***Hayden.***

But, short-termism pressures of markets and media were also observed:

We're heading into the 24-hour news cycles, short four-year terms for government and short-termism is unfortunately on the rise. ***Ingrid****.*

On the chairman's desk, the CEO's desk, the CFO's desk, and the head of marketing's desk, is what the media and analysts are saying – because that drives the share price. And they are all incentivised according to financial metrics that drive behaviour towards short-term incremental growth – not changing the world and long-term, sustainable, innovative, value-adding. ***Andrea****.*

If you just look at market and results, it's very easy to overweigh the short-term against the long-term, and so this long-term fiduciary duty question is *something that's important. Even where businesses are performing strongly in the short-term, the longer-term horizon is not as assured.* ***Francis****.*

The investor community was recognised for recognising and advocating long-term behaviours:

The super industry, by its nature, are very much aware that they are in it for the long-term. ***Carla****.*

But investors are seen to continue to measure in the shorter term.

One of the legacies of Friedman is that he put in everyone's mind, that the role of the company is to maximise profits for shareholders. That sadly has led to this sort of short-term profit maximisation. But it begs the question, "Which shareholders?". Is it hedge funds who might be there today and not tomorrow? Or is it the BlackRocks or the CalPERS, who've got a long-term horizon? ***Andrew****.*

We want to see that the companies that we are investing in can articulate the challenges that they see in front of them. But, at the moment the system is all rear vision. And it is really short-term. ***Gregory****.*

And in this context, organisations can struggle to do what they know is right for the longer-term.

We're listed on the New York Stock Exchange. There's absolute clarity about monthly forecasts and delivering the financials. Inevitably, in a listed organisation subject to public scrutiny around its numbers, you're going to do whatever is needed to fulfil your budget forecast. There's constant flip-flopping between the long-term and the short-term, and it's just *unavoidable. It's part and parcel of operating an entity of our size and scale when you're in that listed company environment. I was previously a shareholder in a private global company. We had nowhere near that level of intense scrutiny and agitation around monthly forecasts. We were able to make longer-term goals.* ***Thomas****.*

I'm responsible of about $80m of revenue. There's forward investment I need for the various projects I've got under my wing over five years. But the debate ends up always being about next year, not about forward funding. ***Winston****.*

Long term thinking was recognised as helping organisations focus on better long-term outcomes and lower costs of capital.

We are one of those businesses that does have a clearly articulated strategy, taking into account a longer-term. You see people placing greater value on the ability to park significant capital at reasonable returns for extended periods of time. They're willing to take skinnier returns in the current environment in order to get access to those opportunities. ***Roger****.*

We have an advantage because, being pharma and biotech and life science sort of things, the timeframes are long and so everyone is embedded in that. They know those timeframes are long so, therefore, you get judged accordingly. So yes, there'll always be judgements on short-term outcomes, but they are also in the context of the longer-term strategy and the longer-term future success. ***Graeme****.*

Chairs reported asking investors to be more vocal about their long-term aspirations, to change the current system.

Companies pay out very high proportions of their operating profits in franked dividends. The investors love it and they're living on it. But the reality is they're saying, "We'd rather work out how to spend this money than you." ***Francis****.*

But ultimately it is confidence that the company can achieve future outcomes that sets its value.

Discounted cash flow and the future forecast only gets you to 30 or 40 percent of valuation. So, the terminal value is the thing that determines how you're valued. The terminal value question is, "Are you going to be flat thereafter, declining, or growing?". If they believe that embedded in the existing organisation you have created a company that has "in perpetuity growth", you are valued much more highly. ***Stan****.*

4.4.6. THEME 6: Exogenous Pressures

The analysis demonstrated that directors understood their fiduciary duty needed to respond to an array of exogenous pressures. Responses regarding these pressures were analysed through five discrete sub-themes; Increasing regulatory compliance, ESG and other measures, Markets Active Investors and Activist Investors, Reporting, and Market and Operating Conditions. In all, of 55 respondents, 16 identified the concepts in sub-theme 1, 14 identified the concepts in sub-theme 2, 34 identified the concepts in sub-theme 3, 24 identified the concepts in sub-theme 4, and 35 identified the concepts in sub-theme 5 in their interviews. No participants made statements suggesting that responding to exogenous pressures was not part of their role, their fiduciary duty, or the role of the board.

4.4.6.1. Regulatory Compliance

Ensuring regulatory compliance was identified as a significant risk:

> *The highest risk in Australia is regulatory risk.* ***Solomon****.*

> *At the whim of the regulator, you can have a big chunk of return taken away from a product overnight with no right of appeal, and that happens continually. So, what's profitable today, could change tomorrow.* ***Edward****.*

Regulation was reported as part of the complexity of the operating landscape, subject to discretionary change, and a complexity of dealing across multiple global jurisdictions. The finance sector was particularly aware of the regulatory context:

> *With every single person having a view on the behaviour of banks and every part of its business - whether wealth should be part of the bank or not is a big, big decision – and the economics of working within the responsible lending regulations.* ***Murray****.*

> *And it's highly regulated and highly specific and they really can't sneeze without APRA knowing about it.* ***Ira****.*

But increased regulation was also linked to unhealthy behaviours:

> *The changes to the work health and safety legislation are driving behaviours. Directors are personally liable. So, if there's been an incident – and in one of my boards, there's been an incident this week – you can be absolutely certain that we'll spend at least three hours next Tuesday quizzing management – because the defence for directors is that they quiz management for three hours. It drives the behaviour.* ***Andrea****.*

And, in the global context for business, it was suggested that regulation was unlikely to keep pace with the challenges:

> *Business is a game played by a set of fairly well-defined rules. Competition rules, governance rules, taxation rules – all those sorts of things. With companies getting so large that they can flaunt those rules, and nations becoming weaker and not being interested in those rules and not having the power to legislate around them. We are going to end up in a more competitive and less regulated environment…It's going to be more a lawless, unregulated environment… In spite of the increasing number of laws around, it's going to be less effective.* ***Maynard****.*

4.4.6.2. ESG and other Measures

Participants spoke of the need for directors to address Environmental, Social and Governance (ESG) and other measures being introduced from investor and regulatory institutions:

> *The great investors of the world by which I mean BlackRock and the superannuation funds in Australia, have all signed on to the UN Principles of Responsible Investment. And one of the principles is that you should do due diligence on how a company has dealt with their ESG factors.* ***Jeremy****.*

> *The recognition that ESG risks are value creators over the longer-term or/and conversely not having regard to those factors are value destroyers, is one way that long-term focused investors have started to push the different way of thinking they want.* ***Pauline****.*

> *Over the last five years there has been a lot bigger push and awareness on ESG issues.* ***Eugene****.*

But whilst there was clear understanding on the need to respond to this investor pressure, there was also discussion that the system it represents is far from perfect:

> *ESG risks are long-term risks that are hard to quantify in terms of the here and now. The capital markets play monopoly with other people's money and get paid for the privilege. They have no understanding of real businesses. If you're a hardnosed CEO held accountable every quarter for your performance that sort of notion doesn't carry a lot of weight. The tragedy is that the two really should not be in conflict because so much of what constitutes good ESG practice from a sort of idealistic perspective also denotes good business practice.* ***Andrew****.*

However, he also questioned governance standards:

> *An ESG research group in New York, incorporated many large Australian companies. I was on the board of both ACME 1 and ACME 2 at the time. ACME 1 was rated five out of five on governance and ACME 2 three out of five. I can tell you that was absurd.* ***Andrew****.*

Others agreed:

> *There are too many really well-performing companies that don't come close to complying with the ASX preferred governance standards. The trouble is the preferred measures or what we measure in terms of good governance are not the right measures.* ***Vernon****.*

These measures can be used as available proxies for what investors and regulators really want to know:

> *The quality of governance within an organisation is used as a proxy for their ability to create long-term value – because it's recognised that their processes of thinking, risk management, all that kind of thing are at a higher level. If they don't have their governance house in order, then they're not going to have sophisticated measures and models and mechanisms to identify the risk. So, it all kind of comes back to ESG.* ***Pauline**.*

> *When you're measuring the standard of governance, at the moment, you are looking at things that are externally reported as outcomes, but not necessarily process itself.* ***Pauline**.*

4.4.6.3. Active and Activist Investors

Respondents reported that it was within the role of directors to be responsive to a wide range of movements and developments occurring in investment markets and investment institutions.

The major shift in the Australian market reported by many was thoroughly covered by Eugene:

> *Long-term investing starts to bring in the concept of "active ownership" and "stewardship". Our members are investing for retirement timeframes, so our investment process has to maximise long-term investment outcomes. The industry over time, built up a large model outsourcing the investment process to fund managers, stock brokers and asset consultants. We are getting sufficient scale now to take back the ownership or stewardship functions. It's no longer sufficient to say "Okay, Mr Fund Manager, here are some funds, manage it on our behalf." We are ultimately the beneficial owner with the rights and responsibilities of ownership. We have the right*

> *to vote, and to engage with company boards to improve long-term investment outcomes. We are building relationships with the company, because we want to give the company long-term investment messages. In the absence of us doing that, a company is hearing from the other participants in the markets; stockbrokers, fund managers and hedge funds. Other investors are getting this quite loud voice in the market to companies. We need to have a voice with the companies and express what's in our interests as a long-term shareholder. So now we have this long-term conversation with the company.* ***Eugene****.*

> *What we want ultimately is an effective Board. And that is not necessarily the same things as a Board that ticks all the governance boxes. Boards that act on behalf of the interests of their shareholders. Unless they understand who their shareholders are, and hear what their shareholders want, they can't fulfil that function. They have to guess.* ***Eugene****.*

But, for all the words on the relationship the investor is looking for with the company, it was reported that it still comes down to the investor's personal judgement:

> *Without seeing board papers, without seeing three-year business plans, without seeing the consultants' report on what impact this is going to have on the company's business outcomes, we were looking through the glass darkly. We are now looking from the other side and trying to get a feeling. Of course, some companies are just good at bullshitting – spinning a story to make them sound as though they are more competent than they really are… Some of them believe it too. Our role is trying to untangle all that. Frankly you are never 100 percent successful at it. That's why I guess it*

comes down to personal judgment about the quality of the people. It comes down to judgment about the integrity of the person. ***Brook****.*

Directors also reported advantages in moving away from the traditional intermediaries in the market:

You have to miss out the intermediators. Most organisations communicate with the analysts and the media as their method of communicating with their shareholders. It's the only way to get around the short-termism of the intermediators. It's not going to change, it makes news for them, and it gets markets excited and all that bullshit. Boards need to go directly to the institutional investors, and the large individual retail shareholders and the shareholders association. It takes huge amounts of time and huge amounts of investment. But it is a very, very useful role for the directors of listed companies. ***Andrea****.*

Active investors looking for long-term options, and closer investor-company relationships was reported driving deeper structural changes in global capital markets:

For me, the biggest question of the lot though, is the merging of two markets; the listed market and the unlisted market. That ratio is actually changing quite significantly. ***Vernon****.*

This means that investors and companies are increasingly looking to gain advantage by placing and raising capital off-market, where a different set of rules, reporting and quality measures are applied:

20 companies that we've looked deeply at, liked their strategy, and prepared to go to them and say we're going to be around for a long period. Why not avoid the transaction costs from trading shares. Those companies have *said "Now we know that you're around for the long-term, we'll put you first in a queue for coming to you and saying, "We want a joint venture on our investment agenda".* ***Gregory**.*

This was reported as bringing significant operating advantages to those companies who can demonstrate lower risk and higher quality long-term returns.

There is a lot of capital floating around the world looking for a home. Every time an opportunity emerges which is proximate to us, we have multiple major pension funds and sovereign funds knocking on our door, looking to partner. That tells you that there's a constraint of opportunity to invest their capital because they're all lining up around the same things. We don't see capital as being a constraint, but opportunity. And why we see multiples creeping higher. ***Roger**.*

Good governance was identified as a differentiator that allowed this organisation to select its sources of capital:

We're able to be quite discerning who we partner with. A long-term approach to investment that aligns with ours and an understanding of the governance structures we want to put in place. And, because of the demonstrated success of the arrangements, and confidence in its replicability, there's a greater willingness to partner up again. It goes to the desire to work together with very powerful entities with significant capabilities in a range of different areas. It's a whole lot more cohesive because of the functionality of the governance arrangements. It becomes important in the future success of all involved. ***Roger**.*

Not everyone reported getting to choose between short and long-term investments:

Everybody would want to have only long-term value investors, but unfortunately, that rarely happens. ***Edward****.*

We all dream of the ideal shareholder-base. But the fact of the matter is, in this country, we're going to have retail shareholders, we're going to have short-term fund managers, and we're going to have our long-term. ***Murray****.*

Directors reported getting mixed messages from different groups of investors:

You get the unusual situation of your major investors all saying "You should cut your dividend. You should re-invest in the future.". But the retail side, which is 50 percent of our share registry are saying "maximum, maximum, maximum dividend – don't care what happens in the future, really". ***Edward****.*

And respondents discussed the impact and risks of dealing with activists in a number of forms:

We had a guy turn up at our AGM last year talking about our carbon footprint. His argument was a risk argument that half of the fossil fuels would have to be shut down and they're suddenly stranded assets. He was not talking about the environmental issue per se, it was purely about my risk management. ***Brendan****.*

Activist shareholders are all short-term. I look at the newspaper today, there are short-term people discussing various things. ***Alan****.*

4.4.6.4. Reporting

Respondents reported that a director's role includes being responsive to global developments in reporting requirements. The growing momentum behind enhanced reporting such as Integrated Reporting was strongly recognised:

> *Integrated thinking and integrated reporting are needed to capture the value creation story. It's gaining momentum. The UN sustainable development goals have the standards of accounting and reporting saying, "How do we know that companies are adopting and integrating these SDGs into their strategy and how do we report it?". Auditors-General around the world now say they will try and get their governments to adopt integrated thinking and do integrated reports.* ***Jeremy**.*

> *What we're trying to achieve is to improve the quality of reporting. I now call it company reporting rather than financial reporting. Financial reporting has become less relevant because so much of the value of a company is in intangibles.* ***Andrew**.*

Respondents recognised the impact that this shift in report requirements can have on their organisations and its oversight:

> *Integrated reporting draws out the role of the corporation in society. Whilst its been focused in the larger companies, it makes your board and management team have to consider your approach to those sorts of issues.* ***Chip**.*

> *The board then has to spend more time in understanding those financial and non-financial reports and extract the material matters which impact on*

the three critical aspects of the economy, society and the environment. ***Jeremy****.*

We have a fully integrated report now, so at Board level we are talking about the impacts on the business - not just the headline KPIs. ***Lincoln****.*

How the new reporting impacted other stakeholders was also discussed.

The audience for this report is actually not our investors because we know the majority of them don't care about this stuff. A minority do. The real audience are our 200,000 employees - so they know the type of company they're working for. This is a company they can be proud of. This is a company they can advocate on behalf of. ***Andrew****.*

Some forecast dangers associated with the trend towards reporting on business models and strategies:

I think that's terribly dangerous. One, that will mean because I'm scared of being wrong and will stick to my original thoughts, because if I move – if I'm flexible, and flexibility is very important – then I'm going to have to at some stage come out of the cupboard and tell all my long-term shareholders I was wrong. And the way the world works at the moment is you are damned if you are wrong and it doesn't matter if you've been honest. ***Alan****.*

And the more specific you get, that more you risk being hung out to dry. ***Maurice****.*

Others discussed opinions on the performance impacts of releasing potentially competitive information to the market in the first place:

One of many reasons why there's been such strong outperformance by family controlled, listed companies is that they flout the listing rules as far as production of information. How stupid are we to give out all this information the ASX requires to meet the so-called gold standards of disclosure. Those of us who are really, really good at disclosing lots and lots of information are possibly the stupid ones. ***Vernon**.*

4.4.6.5. Market and Operating Conditions

Respondents reported that it was within the role of directors to monitor significant changes in the markets they trade in and the general business operating conditions. There was much reporting on fundamental changes in the business operating environment:

There is an acronym "VUCA" developed by the US Military about ten years' ago. That we are living in a volatile, uncertain, complex, and ambiguous world. And that means you have got to be agile and have a really healthy outlook about your business and what might get disrupted. If you don't look forward and look to the side and look back in that environment, something will come along and swamp you. ***Chip**.*

I can't think of any industry now that is immune from unexpected and rapid change. The biggest concern for most organisations is this perfect storm of changes influencing the economy in terms of technological transformation, globalisation, new entrants to industries, disruptive entrants to industries, people coming along with new business models and sort of blow their old industries out of the water. Those things are happening everywhere you look. ***Thomas**.*

It was characterised in different ways by directors exposed to different industries:

There is increasing volatility and disruption with old paradigms breaking down in many areas. We've seen it in retail. It's probably the most blatant example you could see. Everybody could relate to the online versus the old traditional bricks and mortar and all of that. Technologies are advancing so rapidly now. Relating back to food, things like genomics, personalised nutrition, there's so much that's going to change in the next five – particularly ten years. ***Clark****.*

Globalisation together with the rapid development of new technologies is creating an intensely competitive position and does require quick response. It requires greater focus on productivity. That's probably why business is so concerned about Australia's future. The economy is okay, but we're quite concerned about the medium term because we are not seen to be, as a nation, sufficiently engaged in lifting our products up. ***Andrew****.*

Some reported the changing conditions, globalisation and digital disruption as a source of business opportunity:

It opens up a lot of doors and creates the volatility where you can go into a market. ***Lincoln****.*

Changing conditions can also prompt changes in the way boards behave:

The new challenge for leadership is because the rate of change is so fast. A customer's behaviour will change four times – and that's why you need an agile anticipatory culture. You may have a five-year project, and you need to be able to change direction. We have a lot of discussion about how we can actually be a disruptor. ***Quentin****.*

4.4.7. THEME 7: Influence of The Board

The interviews highlighted that directors understood that the exercise of their fiduciary duty was limited by the practical and realistic constraints of what directors can do, and the influence that a board can have on the behaviours of an organisation. In all, 17 of 55 respondents identified this concept in their interviews. The importance of the board, and the board-executive relationship was frequently reported:

> *I see the relationship between a Board and management as being the most important relationship in the organisation.* ***Lincoln****.*

But it was less clear how the influence of the board made a difference:

> *Well, you might ask how a board does anything at all. My rhetorical question is not to say that I think boards don't add any value – but to say that how they add value is not a no brainer.* ***Gordon****.*

Many respondents discussed the notion that an intelligent board could contribute ideas and critical thinking. They also discussed the board's role in pushing management beyond their comfort zone, towards board-defined appetites or limits:

> *The board can say, "Well, have you thought about this? We're a bit concerned about that. Are you being sufficiently aggressive? Are you being too optimistic?"… but it all comes from the bottom-up. The role of the board has been greatly overstated by most people who haven't worked with big corporate boards.* ***Andrew****.*

> *Most executives are not getting a push from the boards because the boards by and large are not entrepreneurs. They're not innovation savvy. So, they're not pushing management.* ***Andrew****.*

Some saw the board's influence in a very limited role:

You have controls over only two important bits of any outfit – the money and the people. ***Larissa**.*

Some discussed the role of the board in setting organisational behaviours by example of its own behaviour:

The other element has got to be walking around engagement and those sorts of things. The reality is you have to be careful as you can start to get into the board management divide. If there's something going off the rails, then you then get the chance to influence. ***Chip**.*

There was some discussion of the board influencing organisational behaviours by having management respond to demands for information:

In my view, a Board is almost a waste of time. It's the work that the management do to meet the Board that brings the value. ***Maynard**.*

The most valued thing a Board can do is to create a development cycle through the company. If you talk to everyone once a year and drive the concept of what the customer wants and what your shareholders are going to get out of it, you suddenly start getting people thinking in a way that triggers all the innovation that you need. ***Maynard**.*

There was discussion that boards could have a negative impact – and needed to be careful to ensure a positive contribution:

The board are really important to the governance of the organism. But the board can distort the company with our behaviours and focus. We have to harness that extremely carefully. ***Stan.***

It was reported that the board has a significant role in assuring that the positive and necessary organisational processes were in place. And this was differentiated from their role participating in that process:

> *That governance practice evolved and got more and more sophisticated. How do you create buy-in and how do you make better decision-making? We worked very hard to do that. And to be frank, the board isn't that involved in the process. No. No. The board gets involved to make sure there is a process.* ***Stan****.*

The role of governance and leadership was understood as important, but its influence varied:

> *Governance plays a huge role in guiding and also visioning change for the organisation. Of course, it's with the help of the CEO and the senior executive – but unless the drive comes from the governance it's not going to happen.* ***Vika****.*

4.4.8. THEME 8: Assurance

Respondents highlighted their role to procure assurance over market sensitive information disclosed by their organisation – and information used internally in support of decision making. In all, 21 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that assurance was not part of their role, their fiduciary duty, or the role of the board.

The value of assurance, and the ability to ascertain truth was not taken for granted:

> *My view on audits is that the accounting concept of "true and fair" – you work out what is in the true bucket and what is in fair bucket. I've got the*

ABN, the date, and cash at bank – true – hopefully, unless the ABN has been transcribed wrongly. Everything else is up for grabs. ***Chip****.*

The role of boards in procuring assurance in markets and capital raising was discussed.

Companies have been able to raise capital more easily and borrow on more favourable terms simply because the lender and the provider of capital can measure risk on a more informed basis. ***Jeremy****.*

The assurance piece plays a key role in that credibility and trust. ***Ingrid****.*

The steps towards assuring information, through internal practices, and the use of external auditors was reported as known and a mature part of a board's role:

Most of this stuff is market disclosed, and so, it goes through an assurance process… So that's just a fairly standard assurance procedure process that we'll go through around investor collateral. ***Roger****.*

Emerging forms of future oriented Integrated Reporting gave respondents more assurance concerns:

This next annual report needs to sign off that these things that we say about what we're doing and the targets we're setting ourselves are ones that we're comfortable with. But where's the independent assurance that the things that you've said you're doing; you've done and that it has created the outcomes that you said? ***Gregory****.*

Respondents discussed how they thought that future oriented assurance may be applied in the organisation:

> *We can't audit the future but… an auditor could, or reviewer or whatever, could say these guys have gone through a rigorous diligent process of trying to predict the future or alternatively they just put their finger in their ear.* ***Quentin****.*

The need for directors to procure assured, quality data for internal use, be that from internal auditors, or just in support of reliability of decision making was also discussed:

> *The quality information that they get is very important. The Board doesn't have access to the information of the company like executives do. They don't work with the people. They don't see what's going on the ground. They get their reports once a month and take a lot of that on face value. They have to question it and use their experience. Boards are aware of what's going on in the industry, in government, in the bigger trends, shifts and patterns of success of other companies. They can't be fooled in that. But exactly what's going on in their company then they rely on information that's provided to them. One source of cross check is their auditors. Auditors take an independent view on safety compliance, financial compliance or performance. Directors get a second set of eyes through the audit process That's evidence they need to rely on. It's necessary diligence to make sure that the information that they've provided is sufficient and accurate.* ***Warren****.*

Not everyone thought internal audit held much value:

> *Internal audit also likes to see itself as providing assurance, which we tend to put in inverted commas.* ***Ira****.*

Other participants reported the consistent application of internal data quality practices that provided a high degree of reliability, confidence and assurance of future-oriented value creation data:

> *You couldn't get away with it in our business. You might make the figures look good because you build up and run down some inventory or something, so the figures look good. But we'll see that the next board meeting straightaway because of the dynamics of how it works.* ***Graeme****.*

> *I might be sounding like a broken record, but there's quite a difference with a company like [name omitted] and a company like a bank. I think the executives in the bank might get away with it for a year or something, but you can't in our business. It's all coming together from all the different parts.* ***Graeme****.*

It was not the only view:

> *So, I need to be specific here. I think that absolutely the financials should be audited. There's no doubt about that. I get that. I get that. But assuring the future-oriented statements and the qualitative components of integrated reporting I think is just horseshit.* ***Solomon****.*

4.4.9. THEME 9: CEO Selection, Remuneration, Incentives and Culture

The analysis demonstrated that directors understood that their responsibilities included CEO selection, and the setting of remuneration, incentives and culture. In all, 34 of 55 respondents identified these concepts in their interviews. No participants made statements suggesting that these issues were not part of their role, their fiduciary duty, or the role of the board.

The critical centrality of getting the CEO selection right was frequently reported.

> *So much depends on the chairman and the CEO all the time. If a board makes a poor decision in terms of who it appoints as its CEO, that can interrupt all other theories very, very quickly. And my other experience here is that even if you know after five minutes, you can't do anything about it for a year or two. You give people the benefit of the doubt.* ***Murray****.*

Issues with the incentive structures that are put in place to direct performance were also strongly discussed.

> *What's very clear is that inappropriate KPIs drive inappropriate behaviours. Setting KPIs effectively actually is one of the greatest management challenges.* ***Rupert****.*

> *We're an extremely KPI-driven organisation. People that are new to it are amazed by the organisation's capacity to deliver against target – not always in hindsight the target that's ultimately wanted to be delivering against.* ***Rupert****.*

> *You've got to be very, very careful with what incentives you set because many people are greedy, and they'll go to whatever their KPIs are and they may manipulate the system.* ***Larissa****.*

Some reported poor alignment between incentive structures and value creation.

> *If you were a bank, you are measuring your consistency of your return on equity. If you set the price consistent with return on equity, you measure your market share broadly speaking, you don't do anything that's particularly challenging to the marketplace and you're extremely well-*

remunerated for that. We have a whole executive remuneration system that rewards scale over value creation. ***Stan****.*

It comes back to incentives. If you've got performance shares that are based on five-year growth and you get nothing unless those growth goals kick in, you will shift behaviour. Nothing shifts behaviour more than that around the executive table. Nothing. ***Andrea****.*

But the inflexibility of formalised annual KPI systems was also identified as a barrier to agility.

If you are trying to push longer-term thinking, and innovation, you're fighting against KPIs which are heavily linked to bonuses… They're so specific and measurable, they don't allow any flexibility to do anything else. That's driving short-termism like you wouldn't believe. ***Hayden****.*

Despite known flaws, incentive systems were reported as forming the basis of dialogue, alignment and communication between board and staff.

The board is highly aware down two levels and less aware below that. We have a keen interest in full visibility of all direct reports to the CEO and CFO, then it becomes a little more opaque below that. And we also look into the nature of the rewards system as well, and what are the KPIs being set. ***Chip****.*

Incentives were described as the pathway to set behaviours and cultures.

We reward innovation. There is regularly an innovator award, and everyone is rated on their performance but also on what we call the growth values. That is more of the cultural fit and your behaviours such as imagination and

> *courage. It's all about being willing to innovate and being willing to try new things.* ***George****.*

But it was also reported that deep conservatism in executive remuneration practices was being reinforced by new regulation.

> *There are no new measures being used. Executive remuneration is now something that the AGM votes on. No one wants to do something different because of the chances that they might get a strike vote at the AGM. There is unintended consequence of these three strikes regulation that is creating a high level of conservationism among boards in respect of long-term incentive frameworks.* ***Thomas****.*

4.4.10. Summary

The findings suggest that directors understood that their fiduciary duty included the responsibility for achieving sustained value creation, and that they needed to consider this from a variety of angles.

In particular the findings demonstrate that directors consider: (a) their fiduciary duty and the role of the board; (b) the optimised stewardship of assets; (c) the optimised creation of value; (d) the optimisation of risk opportunity and new challenges; (e) sustained value versus short-termism; (f) various exogenous pressures; (g) the constraints of the influence that a board can exert in practices; (h) their role in assurance; and (i) CEO selection, remuneration, incentives and culture.

The findings demonstrate that directors deliberatively consider the nature of their own role within the many pressures and expectations that are place upon them. Each finding suggests and describes a component that may, in the future, form some part of a model addressing this aspect of corporate governance.

4.5. **Exploring Directors Perceptions of Value (Study Two)**

Study two explores participants' responses that illuminate board understanding of, and engagement with, different perspectives of value. It addresses the underpinning research question:

(RQ2) How do directors perceive value?

The analysis revealed five themes:

THEME 1: Value is in the Eye of the Stakeholder

THEME 2: Financial and Non-Financial Value

THEME 3: Social Outcomes Are (Everyone's) Business

THEME 4: Value: Time and Certainty Dimensions

THEME 5: The Value of Values and Ethics

4.5.1. THEME 1: Value is in the Eye of the Stakeholder

Respondents reported their understanding of value from the perspective of different stakeholders, and the relevance of their role in the creation of these forms of value. In all, 17 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of stakeholder value was not part of their role, their fiduciary duty, or the role of the board.

The concept that value is determined by stakeholder recipients, not the organisation, was noted by several respondents:

When somebody says to me the purpose of our corporation is to make money for shareholders or to maximise shareholder wealth. My immediate answer is "which shareholder?". ***Gordon****.*

We focus on our members' best interests, building unique relationships and demonstrating long-term commitment. And you have to focus on which different cohorts of members you have - and they are not all the same. ***Gregory****.*

The need to focus on a diversity of stakeholder needs was reported within, and across each stakeholder group:

I am not totally convinced that I know what is expected of me as a director because different shareholders have different wants. ***Alan****.*

Delivery is complex and needs to be part of core business strategy:

When we've been doing it poorly, we'd been quite blinkered in our communication strategy, selling a successful investment story without considering the implications for the broader business and these other stakeholder groups that essentially endorsed the business' right to exist. ***Roger****.*

So you map all these stakeholders, you say, "Well, what's value to government? What's value to the community?" The product user – there's a whole range of them. And I think we're good at saying, "Well, they value this, and they value this," and it's not even a communications exercise. It's a business strategy. Are we delivering on that value? Because if we're not, then we can communicate till the cows come home and it's going to be ineffectual. ***Roger****.*

We start by saying, "Well, what's value to the stakeholders and how are we ensuring that we're delivering it?" So it's not just saying we're delivering it as a comms exercise. Are we actually delivering it as a business? ***Roger****.*

Many reported the need to understand stakeholder's needs as fundamental element of doing business:

You cannot deliver satisfactory or good returns to shareholders in the long-term if you ignore your employees, your customers, your suppliers, or even the community in which you are working. ***Andrew****.*

4.5.2. THEME 2: Financial and Non-Financial Value

Respondents reported their understanding of not just financial value, but many forms of non-financial value, and the relevance of their role in the creation of these forms of value. In all, 32 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of non-financial value was not part of their role, their fiduciary duty, or the role of the board.

The importance, but almost hidden scale of non-financial value within global economies was discussed by several respondents:

When you think about the complexity of companies these days – you might have tangible assets representing only 20, 30 percent of the market cap, so the value in the accounts. And, you've got all these now very subjective very complex intangible valuations. ***Ira****.*

There was wide recognition that non-financial value was a vital part of business – even if that was not clearly identified in financial accounts:

There is no organisation on planet earth that operates with financial capital in one building, natural capital in another building, virtual capital in another city. All these things are interconnected, interrelated, and integrated. A company should be able to write down what are its tangible assets which would be additives in a balance sheet according to IFRS and then write down what it thinks are its intangible assets and put a value to those assets. Integrated thinking and integrated reporting are needed to capture the value creation story. ***Jeremy**.*

And awareness of, and activity in developing various forms of non-financial value was widely reported – both through Integrated Reporting's multiple capitals – and through other product, staff and productivity perspectives:

The project consideration starts off multi-bottom line. As you get towards procurement, it becomes very financial. And it then goes back to multi-bottom line. ***Winston**.*

It goes right back to the original project proposal internally. What's the customer value of doing this? It's not just the financial outcome. ***Quentin**.*

I do find management are not as excited about sustainability reports as I am, but I'm looking at it for different purpose. I want to develop my people much more deeply than just people who come to make money. Therefore, sustainability is very important. ***Alan**.*

At the start of an initiative, we have a look at the qualitative and service benefits, so it's not all about how much cost do we get out of the Organisation. It might be the reduction in the number of emails that get communicated out to the membership, etc. ***Lincoln**.*

Some reported high levels of board awareness of intangible issues:

> *In software, absolutely everybody knows that the nature of the business where they capitalised software. It's all intangible asset.* ***Francis****.*

Some reported less focused board awareness:

> *There was a heavy emphasis on triple bottom line reporting and integrated reporting and following standards and all of that stuff of social and environment. There was a strong, strong focus on that. If you apply that to the [name omitted]'s board, it's probably not as clear cut as that. It's there but it's looser.* ***Ornella****.*

But concern was expressed that major non-financial assets were not being well operated, or the focus of deliberately governed value creation:

> *Most companies on the exchange these days are valued primarily on what we call intangibles… defined by their capability of being economically exploited. But that doesn't tell you when, it doesn't tell you how risky that estimation is, and if it only makes a dollar, then no one will invest in it. So, it's actually not an asset in that term if they're never operated. But it still sits on their balance sheet as a declared asset. As a consequence, companies internally can't predict and manage their intangibles and the projection of those. I don't think they're very skilled at managing intangibles.* ***Mai-Lin****.*

4.5.3. THEME 3: Social Outcomes Are (Everyone's) Business

Respondents reported their understanding of the value of achieving social outcomes, and the relevance of their role in the creation of these forms of value. In all, 23 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of social outcome value was not part of their role, their fiduciary duty, or the role of the board.

The importance of social-value outcomes was identified by respondents in relation to community, government, commercial and investor organisations:

> *The linkage between financial outcomes and social outcomes is strongly recognised by boards. Three organisations I'm involved in have a very strong social outcome that they achieve. Very, very different constituents, but very much socially-orientated.* ***Neil****.*

> *The board then has to spend more time in understanding those financial and non-financial reports and extract the material matters, defined as those which impact on the three critical aspects of the economy, society and the environment.* ***Jeremy****.*

There were a wide range of discussions on business' responsibility to consider social outcomes, or whether these were rightly the sole province of government:

> *There's been expectation that the government will "Just Do It!!". There is a slow move to accept a shared responsibility for delivering successful outcomes and achieving desired impacts. The larger organisations are seeing opportunities as to where they can contribute through their corporate social responsibility.* ***Ursula****.*

> *It's the role of government to look at social issues. It's not the role of business. That's not to say that business should ignore its role and its impact in society because it ultimately comes back to this notional license to operate. And that can have a big impact, for better or for worse.* ***Andrew****.*

Business leaders, and investment directors reported seeing social outcome as a part of their commercial remit:

> *You’re doing things like that because you see that as important part of your social license, but also there’s a business benefit. You’re looking at it as a business benefit.* ***Chip****.*

> *If we’re able to do that successfully, then if you're investing in hospitals, building hospitals, roads, prisons, schools. There's a societal benefit. We’re creating value for the community. We're creating value for the members through employment, and if it meets our investment thresholds, then it's delivering returns. It requires you to have a long-term perspective to be able to do it.* ***Gregory****.*

And government reported seeing their role lift into stewardship of the combined actions of their own programs as well as the actions of others.

> *We create public value through the connection of outcome to moral purpose. That’s when we are at our best - partly because you get the investment of the whole community in your purpose.* ***Stephen****.*

> *It is inevitable that the public sector is only a partial contributor to the creation of public benefit and public value. So, if you then reconceptualise, as we are doing, the idea of the public purpose sector not just the Public Sector, then you start to bring to bear all of those who contribute to the creation of public benefit. And so that can be the third sector, the not-for-profit sector, it can be the philanthropic sector. It can be the private sector.* ***Stephen****.*

The need for disciplined approaches, measures, incentives and governance were highlighted by various respondents:

> *It's all complex and nasty stuff, but it's not rocket science. It's actually simply about being determined to not only decide what we're going to do, but also to measure it. To have a sense of how long it's going to take. What's the order of business? What are our key priorities? What's going to make the most difference? What it's going to cost? How cost-effective are those measures going to be? And ultimately, have a plan that we can measure both the outputs and ultimately the outcomes. It's a problem for government with these things and for business as well.* ***William****.*

The global importance of systemic change towards cooperative long-term focus on social outcomes was keenly reported.

> *That's a framework where you've got government, public and private all coming together. That's long-term focus, and it's about creating sustainable communities around the world.* ***Gregory****.*

4.5.4. THEME 4: Value: Time and Certainty Dimensions

Respondents reported their understanding that the expected value that could be derived from activities varied over time and behave differently for different types of initiatives. They discussed how their understanding of the time and certainty dimensions of value impacted their judgements and the execution of their role. In all, 19 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of stakeholder value was not part of their role, their fiduciary duty, or the role of the board.

There is evidence that value is developed over time and through increasing certainty within complex portfolios of activities:

> *I mean businesses are complex enough, let alone its portfolio. But you can sit down and do it. It's not straightforward though. Businesses struggle to deal with straight project management, right? But now you have a series of major and minor capital projects. It's on the limit of capability to track that as a portfolio. Throw in the maturation of technology, and the risks around that, and you tip over the limit.* ***Hayden****.*

> *There's a lag time between what you're investing in and uncertainty about what the outcomes will be. Different investments, different points of time give you different potential downstream. You need to understand levels of uncertainty, as well as how things will implement over levels of time. They're not a one-for-one correlation.* ***Mai-Lin.***

The need for constant re-adjustment over the longer-term was identified:

> *The question is, is there enough ability to alter course on the way through? I don't need to fly the plane from Melbourne and aim it perfectly to land on the runway in Tokyo. Have we got somebody in there who's going to be able to get the plane on the runway in Tokyo at some point in the future?* ***Orville****.*

> *Most innovative ideas actually come from really hard work. A lot of people think innovation is inspiration. Actually, it's really hard, tough discipline, rigorous work, and constantly going back to things and rework here and rework there.* ***Mark****.*

It was also identified that the current governance and decision-making practices do not necessarily support the most effective value creating behaviours:

> *What will happen in an organisation, is your finance people who are looking for those early returns and say, "No, not getting early returns." Bang! It's gone. "Shut it down. It's going to lose us money. We can't afford another loss-making product. Shut it down. Kill it.". You've got the marketer saying, "Have you seen the base numbers on this? The base numbers are really, really good. This is going to go. It's a classic, classic tension.* ***Nicholas****.*

The need for advanced disciplines was evident in a number of statements:

> *It's about evaluating the impact of the work and return on investment, with both quantitative and qualitative measures. And it's also building project evaluation into the project planning stages - as well as at critical stages during project delivery.* ***Ursula****.*

> *The project representation was within the context of this financial year, but actually it's a multiyear initiative. We know, and maybe with less degrees of certainty, the continuing investment required to deliver a set of outcomes and will prove it up along the way. A go, no-go type discussion akin to something like a pharma type model - where trade-offs on the certainty and risk versus the value are no longer sufficient - means we start remodelling that solution. That includes either reframing it and taking a different approach, or killing it – or it's all good, and it should continue.* ***Arthur****.*

The need for constant oversight was identified:

> *Sometimes, we found that the quarterly timetable is a bit too close because not enough has changed given your work in the strategic context. Other times, it is actually spot on in terms of resolution and granularity.* ***Francis****.*

Respondents discussed the need for disciplines to engage with the complexity of governing time and uncertainty of achieving social outcomes.

> *We would love to be presenting real-time information about the success or otherwise of the outcome. But its measured potentially over years, potentially over decades, potentially over generations. It's a challenge for the political class simply because their lives are defined in more granular timeframes.* ***Stephen****.*

It was also argued that certainty, and thus confidence to invest in opportunity, could be deliberately increased through building skills and experience – not just through the execution of the project.

> *We recognised that we couldn't go from zero to a hundred. We had to get there in bite-sized steps. We went from zero to one, to five, to ten before we got to a hundred. That last step from ten to a hundred was a pretty big step, I have to say. It was probably a bigger step than we'd anticipated taking in the beginning. But when the opportunity came, we grabbed it.* ***Clayton****.*

The director's need to build certainty in the portfolio, to provide foundation for the organisation's sustained value creation capacity was recognised by some respondents.

> *How do you move from less certain to more certain and what are you investing to increase the certainty of the knowledge - so that you can make bigger and better decisions?* ***Mai-Lin***

> *In the commercial environment, you're seeing the product move through the various phases of research and development into the clinical phases. So, you can see that long-term as well. We're constantly reviewing the portfolio of research projects coming through the organisations and their status and how they're going.* ***Graeme****.*

4.5.5. THEME 5: Value of Values and Ethics

Respondents reported their understanding of the value of corporate values and ethics, and relevance of these to their role in the creation of sustained value. In all, 14 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of values and ethics was not part of their role, their fiduciary duty, or the role of the board.

The concept that values are fundamental to sustained success was reported from a number of perspectives:

> *This business involves is a total focus on collaboration. It's very much values driven. Values are seen to be equally as important as the business model.* ***Ursula****.*

The values that were illustrated by executive and board behaviours were identified as having a significant impact on culture, and broader organisational behaviours:

> *I said, "Do you realise – I can tell what floor I'm in, in your building, by how you serve me coffee?" And the CEO said, "What are you talking about?" I said, "I can tell you, as you go up the hierarchy, you get better and better cups, better and better – and better and better milk. It's served on a tray when they finally get to you." I said, "So, when did you set that up as the way to serve coffee? You know that everyone sees that."* ***Stan****.*

The importance of values to the creation of healthy corporate cultures, and environments that could attract and retain the right staff was identified:

> *One of the things that you will be rated on is not only how you performed in line to the business strategy – but also on culture and how you performed to the values and behaviours.* ***George****.*

> *The real audience are our 200,000 employees - so they know the type of company they're working for. This is a company they can be proud of. This is a company they can advocate on behalf of.* ***Andrew****.*

And ethics was recognised as having an impact on whether an organisation could be sustainably successful.

> *Sustainability has an ethical meaning to it.* ***Eugene****.*

> *We were all about making money for our investors. And that's when the ACCC sort of ethics came up… the collusion and price fixing and all that sort of stuff came out.* ***Brigitte****.*

4.5.6. Summary

The findings suggest that directors understood a variety of perspectives on value within the context of their responsibilities for sustained value creation. In particular the findings demonstrate that directors considered value: (a) within their fiduciary duty and the role of the board; (b) from the perspective of multiple stakeholders; (c) in terms of financial and non-financial outcomes; (d) in terms of social outcomes; (e) in terms of the development of value and certainty over time; and (f) in terms of the value of organisational values and ethics. Each finding suggests and describes a component that may, in the future, form some part of a model addressing this aspect of corporate governance.

4.6. Exploring director perceptions of the factors of value creation (Study Three)

Study three explores participants' responses that illuminate board understanding of, and engagement with, the various factors that are involved in their organisation's creation of value. It addresses the underpinning research question:

(RQ3) How do directors perceive the factors contributing to value creation?

The analysis revealed five themes in the data:

- THEME 1: Knowledge and Digital Economy Opportunity
- THEME 2: Portfolio Proliferation
- THEME 3: Strategy and Strategic Agility
- THEME 4: Internal Insight and Foresight
- THEME 5: External Insight and Foresight

4.6.1. THEME 1: Knowledge and Digital Economy Opportunity

Respondents reported an understanding of various different approaches that were required to create value within knowledge economy and digital economy opportunity. In all, 26 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of knowledge economy and digital economy opportunity was not part of their role, their fiduciary duty, or the role of the board.

Respondents reported changing behaviours to respond to changing requirements of knowledge and digital economy opportunity. It was seen as massive transformation:

We're not talking about building large key pieces of major capital equipment. We're talking about reengineering an organisation and driving most of that through digital innovation. ***Rupert****.*

The more disruptive piece is the end to end integration of IT and operating technology. It's a digitalisation of our major industrial complexes. ***Rupert****.*

The transformation was reported to be impacting all forms of business:

Online is all pervasive. Competition is no longer people who have a presence here. They can have a presence here without having representation through the online world. That magnifies the impact of globalisation. ***Andrew****.*

Directors reported the potential for their whole business to be reinvented – and fear and misunderstandings of what needs to be done in response:

Google will come in and say, "we will just make one on an App". ***Solomon****.*

There's a perception around digital disruptions that you're an analogue, old-world newspaper, to use an example, and that you have to spend a billion dollars to become a digital thing overnight. The reality is that the leaders in digital terms started small and they compounded their initial investment over many years. And added to it every year. ***Francis****.*

If I was in the financial wealth management business, I'd be very fearful of artificial intelligence. The financial sector earns an egregious rent for adding little value. ***Stan****.*

These changes were represented as significant opportunity for those who understood the context, considered the bigger picture, and grasped the technology opportunities.

> *Your context is the market opportunity presented by 25 million people and you're not considering what's necessary to reach the market opportunity of seven billion people in the global market. This thinking leads you to a different assessment of opportunity and threat.* ***Francis****.*

> *If you look at the history of medical research, the knowledge output has been growing exponentially for the last 100 to 200 years and so you're in this environment where you have to use this knowledge and be innovative to stay alive - because the next thing's coming all of the time.* ***Graeme****.*

> *The great opportunities are in food. But where food hasn't got to at this stage is leveraging everything it can from technology and the digital era.* ***Ursula****.*

Some directors reported the benefits of proactive communication with the market:

> *We've told them we have a strategy for flat to modest top-line growth. But where the mix of our business is evolving from a capital-oriented business where we're more susceptible to macro conditions, to a recurring and subscription revenue base, more software, and therefore, higher gross margin and net profit. And the market has said "Great, that's less volatility".* ***Darren****.*

And this was reported to lead to different internal styles of operation, the need for action, and the need to align knowledge workers to common purpose:

> *We're definitely moving to more Agile and DevOps style methodologies, but it has to be fit for purpose.* ***Darren****.*

Regards to innovation question. If it ain't broke, get ready to change it. The world changes around us constantly and unless we are innovating, developing new products, new processes, new markets, geographies, new businesses, we're going to go backwards. ***Maurice****.*

It has all been about individual optimisation and the pretty unsafe assumption that if everybody in the faculty is innovating - that by some form of serendipity it will work out that the department is innovative. ***Winston****.*

4.6.2. THEME 2: Portfolio Proliferation

Respondents reported their understanding of the shape and movements in their organisational portfolios of activities from the perspective of what is required to deliver sustained value creation. In all, 37 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of the breadth and movement in the organisation's portfolio was not part of their role, their fiduciary duty, or the role of the board:

Large Australian companies need to realise that in this complex world that is rapidly changing and evolving because of technology, they need to make a lot of little bets in areas that are relevant to them. ***Andrew****.*

Top down will give you very large meaty, chunky projects. Bottom up allows you to bring the innovative spirit out. ***Rupert****.*

Some directors reported mature experience in this space:

I can tell you we have a deep burial ground of all the things that didn't work. There's a long list of things that didn't work. ***Stan****.*

The point was made that you had to be able to constantly look at new ideas to determine if there is value in it for the organisation’s future:

> *You can't expect an agile innovative culture if you don't vet every idea around you.* ***Quentin****.*

> *You need the guy with the idea or the woman with the idea. And that person is rewarded for bringing it up even if it’s wrong at the end of it. They’re rewarded by admitting it’s wrong and moving onto something else.* ***Graeme****.*

Some is planned, and some is not planned.

> *We have a pretty strong vision of where the market is going to go. We look at our assets to know we’ve got plenty of holes in our portfolio. Part of what we do is very targeted. Let’s plug those holes. That’s proactive. Then there’s the reactive, where we all realise opportunities pop up in real time. It comes to our attention and sometimes we make a very rapid-fire decision.* ***Darren****.*

But planned or responsive, there was recognition that the best performers managed their portfolio strategically:

> *They're starting to manage their portfolio much, much better than I've seen it done elsewhere. They've got some portfolio specialists who are able to model uncertainty and its implications. They are presenting their board with portfolio options that consider the implications of going down different parts with different timeframes. And they make conscious decisions between failure and risk and what they're prepared to accept and what they're*

> *prepared to commit to. Their portfolio decisions are being made very strategically.* ***Mai-Lin****.*

Other groups, with less information at their fingertips, are still seeing it as more of a straight numbers game:

> *The real risk is the number of seed investments around the place, that are going to grow into oak trees or die at some point. The challenge is, "Is there enough bandwidth of management to be able to oversee and sponsor that number of projects?". There is an issue of not having the right number of bets. You have to have plenty of bets because it's keeping you in the market, knowing what's going on.* ***Brendan****.*

> *If you don't seed some ideas, you'll end up with a desert where there's no plant growth at all.* ***Winston****.*

4.6.3. THEME 3: Strategy and Strategic Agility

Respondents reported their understanding of the importance of strategy, and strategic agility in the creation of sustained value, and the relevance of these concepts to their role. In all, 48 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of strategy and strategic agility was not part of their role, their fiduciary duty, or the role of the board.

Respondents gave many views of how strategy is developed and changed in response to learning, experimentation and change:

> *There is always this debate about where does strategy come from and driven from? Is it from the Board? Is it from management? It's true management needs to do the legwork and identify, what is happening in our*

business and what is happening externally. But it is very much a conversation between the Board and the management. ***Gregory**.*

Increased time and frequency of board focus on strategy, and the need to adapt to new conditions, was widely reported:

In the old days, companies used to do a strategic plan and dust it off every other year and do tweaks. These days, six months later, the things could be quite outdated. It is moving so quickly. ***Clark**.*

Boards can get into a routine of producing a strategic plan, getting a draft business plan from management and rubber stamping it, monitoring the delivery of elements of the business plan and doing the usual full gamut of oversight, compliance, performance and oversight. And it's mechanical. It's not a bad way for steady state management, but it's anathema to producing an organisation that changes and seizes opportunity. ***William**.*

Directors considered what it took to have a strategy that guided an organisation for long-term sustainability and responsive and proactive agility at the same time:

The question is, has the company developed a long-term strategy which would result in the business of the company maintaining value creation in a sustainable manner that is going to maintain value creation long-term? ***Jeremy**.*

Some spoke of moving from annual planning to embedding discussions of strategy in every meeting citing various mechanisms:

A good board will have at least two or three pure strategy sessions a year. ***Andrea**.*

If you have a nimble, mobile, agile risk framework, then you are discussing opportunities. You're discussing opportunities at every meeting and the risk framework enables you to discuss it because it's there on the agenda. ***Andrea****.*

But others cautioned that a balance of discipline was needed to make sure that constant consideration of strategy didn't descend into chaos and noise.

You need to develop your strategic plan, or the short-term noise will overwhelm – and the organisation gets embedded in the latest disaster or the latest frivolity. And it doesn't actually stick to the stuff that's going to produce the long-term. ***William****.*

The business model itself needs to be agile. At the moment I think there is still rigidity rather than agility. There is no easy solution, but we need to be forward thinking. ***Ursula****.*

A number of respondents discussed their most useful agile strategic practices:

You might set strategy for a five-year horizon or a ten-year horizon and hope to balance all the operational or tactical things to actually deliver the strategy. Most industries are complex and there's sufficient change going on that strategy and tactics need to change. If you limit yourself to the fact you can only change tactically, within accepted budgets, you are generally going to create a failure. I've seen some who more dynamically manage long-term development with short-term decision-making. ***Mai-Lin****.*

The company has a very good process where all of that analysis across our portfolio is done constantly. The board innovation committee gets involved as that starts to emerge. Management do the real work. ***Graeme****.*

> *There was never any one plan. But by having the combination of business development and layers of innovation development, we could continue to grow and prosper as an organisation.* ***Stan****.*

> *We have a long-range planning process which starts with strategy. We have a strong vision of where the market is going. And we lay out how we want to lead that market. We proactively plug holes in our portfolio, and there's the reactive. You need agility to be able to pull the trigger very quickly. And this last one, we were very agile.* ***Darren****.*

But whilst the challenges of agile strategic behaviours were commonly identified, respondents pondered what disciplines might be required.

> *At the heart of all of this, it comes down to, do you have the discipline? When you look at your portfolio of current and future activity and the distribution of what you're doing today to create those needs – how disciplined are you and how do you track that? There's no consistent methodology.* ***Damien****.*

4.6.4. THEME 4: Internal Insight and Foresight

Respondents reported their understanding of the value and practices of making sense of the complexity of their organisation's internal activity - in terms of what was being worked on, and the future that work was likely to create. In all, 45 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of internal value creation activity was not part of their role, their fiduciary duty, or the role of the board.

The need for future oriented insight to support decision making was strongly identified:

In the articulation of the complex world, direct cause and effect of taking actions is not as plain as it used to be. You take an action and all of a sudden it goes off at a tangent and something else happens that you haven't really considered. Teasing out all the tangential potential outcomes is quite important. I am not sure that the Board can do its job properly if they haven't got good visibility. ***Chip**.*

It's trust, or a leap of faith for the board on the money they approved. Well each year you come back and you ask for more, how do we know that what we've done has been successful? So, we have to keep that feedback loop going because the spend is more and more as we get bigger and more complex and all the rest of it. The level of reportage becomes even more important. They need to see the benefit realisation from decisions that they have made. ***Gregory**.*

And a link between the quality of the information, and the quality of the decision-making was also discussed:

A capacity to connect the dots - because there's a whole lot of things happening and many of them are interconnected is what actually leads to great leaders making great decisions. ***Andrew**.*

Virtually everything that you need to know can be measured, virtually everything. What we're talking about when you're talking about complexity, ambiguity, technological change, all of which are known unknowns is fundamentally what processes and what systematic approach within your organisation for decision making are you going to follow so that you are paying attention to these issues, within a framework that might enable you *to come up with some better decisions than you are at the moment. So, it's a process in a system rather than specific data.* ***Andrew****.*

For some, the development of knowledge and insight had structural overtones:

The intent is more than rhetorical. We are looking to change our language and our purpose - from being a central agency – to being an agency of unifying intelligence. ***Stephen****.*

Insight was identified as enabling leaders to take the action that is necessary.

The best I've seen is where people believe the signal (in the data) and they take action accordingly. They're the ones who have a greater commitment to do something rather than a belief in inaction. ***Francis****.*

You have to measure it. You have to be really disciplined in your data and then you have to aggregate it back up and see what the data is telling you. Sometimes it is hard to get insights from the data because you've got so much and it's complicated. But you have to keep at it - and make those judgments. It's really important. ***Mark****.*

And, asking what was being done to building the capacity for insight was identified as a fundamental to building the scale required for success.

What are you investing to increase the certainty of the knowledge - so that you can make bigger and better decisions? ***Mai-Lin.***

Yet there were many levels of capacity and awareness reported across different organisations:

The measures for organisational performance remain quite slim and arguably historical rather than forward-looking. ***Thomas**.*

They're consumed by the process of backwards-looking reporting - and there is a regular but often sporadic "Oh, shit, I have to think about the future" moment. ***Timothy**.*

From a senior management perspective, you really do need complete visibility. And organisations go through periods or have instances where that visibility is found wanting. The most important thing is to never ever forget that lesson. ***Vernon**.*

It's hard to argue that most of our tools of management are rear-view mirror rather than forward projecting and that the disciplines for turning new ideas into positive businesses are not brought. ***Damien**.*

The ability for us to make better decisions, both about short-term and long-term decisions have been infinitely expanded by having a better Management Information System… It's helped us direct our thinking as to which of the opportunities we should be doing, and in our prioritisation process. ***Clayton**.*

Boards like runs on the board and wins. And the more wins you get, the greater confidence they have to continue to stretch strategic boundaries. ***Lincoln**.*

If you don't understand how the future is going to unravel and what's contributing to it, it's almost impossible to manage the path towards it. ***Mai-Lin**.*

Strategy is what we do today to create the future we desire. You cannot be strategic without operational detail and understanding of it. What concerns me is that I don't have that line of sight. ***Damien****.*

4.6.5. THEME 5: External Insight and Foresight

Respondents reported their understanding of the value and practices of making sense of the complexity of external market activity - in terms of what was coming competitively, and in terms of opportunity. In all, 28 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of external insight and foresight was not part of their role, their fiduciary duty, or the role of the board.

External information and understanding the broader context was reported as being vital to leadership and decision-making:

Boards need to keep abreast of what's happening in the market place. ***Ursula****.*

We look for reporting on what is happening in our marketplace. What is happening in our space that we should be concerned about, that we need to monitor, that we should be maybe doing something about. One absolute imperative for a leader is, can they see around corners? Can they see what's coming? Because that's their role. Their role is not to manage the day-to-day business. ***Andrew****.*

Opportunity comes when directors are determined to look outwards from the organisation and to equip their business and grow their organisation to do better identifying and seizing opportunities. ***Andrea****.*

Increased external risk was reported as needing an effective response:

The biggest risk you had in those days was just that somebody was using their information systems better than you and could leave you at a competitive disadvantage. Nowadays it's the ability for outsiders to come in. That's the real difference and it does lead to a higher order of magnitude of risk without a doubt. ***Brook****.*

Insight and foresight about external issues, and the need for scanning and monitoring, were recognised as immediate and strategically important:

We are operating in such a complex world - where the exogenous factors are so profound - and late-arriving. ***Stephen****.*

We're in a business where you pivot the business all the time - either forecasting what competitors are going to do – or reacting to competitors. It's a fascinating view of management, going from being a disruptor to not wanting to be disrupted. You've got some information; you have the things that you think you control, or you have good knowledge of in the assessment. But you don't know what's going on in the dark corner room at your competitor. ***Chip****.*

The mechanisms and maturity used in different organisations were discussed.

Its more than directors personally putting in time. It's our market and context scans and their evaluation of that. The whole picture is sharpened by competition, and the competitive opportunity and the competitive threats. We look at market spend, market scans, competitor analysis, context scans, adjacency analysis that takes you from today's market to wider context. It's not a one-off data collection and analyses – but it's not yet an ongoing business-as-usual data collection process akin to the systems of records, *insight into customers and the systems of engagement of those customers. It's not there yet.* ***Francis.***

Not everyone reported being at the leading edge:

We get rather fixated on what we're doing and tend to somewhat ignore, to our detriment, what our competitors are doing. ***Nicholas.***

4.6.6. Summary

The findings suggest that directors understood a variety of factors at play in their organisations that contribute to achieving sustained value creation. In particular the findings demonstrate that directors understood: (a) a number of differences arising from knowledge economy and digital economy opportunity; (b) necessity and challenges of portfolio proliferation; (c) the importance of strategy and strategic agility; (d) the contribution that arises from internal insight and foresight; and (e) the contribution that arises from external insight and foresight. Each finding suggests and describes a component that may, in the future, form some part of a model addressing this aspect of corporate governance.

4.7. Exploring director perceptions of practices and controls for value creation (Study Four)

Study four explores participants' responses that illuminate director understanding of, and engagement with the management practices and controls that are associated with effective value creation. It addresses this research question:

(RQ4) How do directors perceive the practices and controls of effective value creation?

The analysis revealed five themes:

- THEME 1: Governance: A Friend or Foe of Value Creation?
- THEME 2: Dealing with Uncertainty
- THEME 3: Integrating Multi-Discipline Contributions to Knowledge
- THEME 4: Visualisation and Data Representation
- THEME 5: Shared Insight, Delegation and Activating Aligned Action

4.7.1. THEME 1: Governance: A Friend or Foe of Value Creation?

Respondents reported different understandings of whether governance added to, or was a barrier to innovation and value creation. In all, 19 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of where, and how governance should be applied in support of value creation was not part of their role, their fiduciary duty, or the role of the board.

The understanding of the role that the board should play in effective value creation varied between respondents. Many concluded that governance and boards should keep out of the way:

> *Probably the main focus of good boards - i.e., good governance practice - is to ensure that they are not in the way. That they haven't built in to the organisation layers of bureaucracy 'going through the process'… if you require innovation to jump through too many bureaucratic hurdles, you will stifle it.* ***Andrew****.*

> *In the Boards that I am involved in where there are potential threats, we try and have a strategy of "keep out of everything". We make a conscious choice. In this day and age one of the really important things is to get the*

balance right at the Board between – Boards pushing to, or being driven by governance expectations, to spend a lot more time on governance at a meeting than they have on strategic – and the understanding of the business and discussing the business. And to me that is a recipe for failure, and you will get caught. ***Chip**.*

Respondents discussed that good governance is developed, learned and deliberative:

We've evolved it having come from a poorer place ourselves. On the spectrum, the poorer ones are the ones we've inherited, and the better ones are the ones where we've been able to sit down and critically figure out what we need to do. ***Roger**.*

And yet there was little alignment between what the leading practitioners identified as effective governance in the context of sustained value creation – and what investors were asking of them:

When you're measuring the standard of governance, at the moment, you are looking at things that are externally reported as outcomes – but not necessarily process itself. ***Pauline**.*

What was clear was that the question was important. Positive or negative - people felt that the board had a strong influence:

The board… They're really near the nucleus of the cell here and you have to be very careful with what you're adjusting. Because it flows. ***Stan**.*

4.7.2. THEME 2: Dealing with Uncertainty

Respondents reported their understanding of the importance of, and their ability to engage with uncertainty – and how this was relevant to their role in sustained value creation. In all, 31 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that dealing with uncertainty was not part of their role, their fiduciary duty, or the role of the board.

Respondents discussed their organisations being uncomfortable in dealing with uncertainty:

> *You've got this clash between the innovators' way of approaching the marketplace from a consumer point of view and giving the consumers what they want, versus the financial metrics and controls and governance that large organisations deliberately build up so that the downside is managed in the investments. And they come into conflict.* ***Nicholas****.*

But it was suggested that being able to engage in discussions around uncertainty of huge value:

> *It isn't the point of getting it right. It's the very fact that you have a plan and then you measure yourself against the plan so you can understand why it's right, why it's deviated. Understanding the why is more important than having the plan. Finding what the problem was and then you could go and fix it. But if you didn't know, you never knew.* ***Mark****.*

However, directors discussed being sensitive to dealing with the unknown in environments where they are expected to guarantee and assure outcomes:

> *I get to sit through presentation once or twice a year, which says if interest rates drop, the unemployment goes up, blah, blah, blah – this falls out the bottom and then we're bankrupt. So, we get to build what would we do. The beauty of that is that I've got no promise with that – because I don't have to sign off that that is what's going to happen.* ***Alan****.*

A number of mechanisms were discussed about how people engaged with uncertainty. Gordon and others reported continued reliance on historical measures:

> *The company will have a number of programs going on and there'll be after action reviews of them to see, "Did our actual experience bear any relationship to the business case that we approved two years ago?". That gives you a window.* ***Gordon****.*

Others talked of issues of assessing and dealing with future value.

> *We're talking about forward value and future things, which I refer to as speculative risk management. That's very complex and it's not done very well. And by and large, there aren't systems and methods around that help people do that.* ***Mai-Lin****.*

> *How do you move from less certain to more certain and what are you investing to increase the certainty of the knowledge that you can make bigger and better decisions?* ***Mai-Lin****.*

The idea of being able to quantify the level of uncertainty was discussed.

> *It's important to represent uncertainty realistically. If you're going to predict something. You can guarantee that one prediction is going to be wrong. But you can predict a range reasonably well. The whole idea of predicting a range is that, as you learn more about the things that will influence the outcome, you fine tune that range. So, you can improve your prediction on a continuous manner – and you try and invest in things that will improve that prediction and the reliability of it, earlier rather than later.* ***Mai-Lin****.*

Dealing with levels of uncertainty was expanded further in the specifics of the mining context.

> *You want to know the confidence in that asset value. Has a mine plan been done so that you can know that you can extract it? Have you got environmental approvals? It's a degree of certainty around what's in the ground and whether you can get it out of the ground.* ***Hayden****.*

> *Finance people struggle with the degree of uncertainty that's in a lot of the financial modelling, especially some of the risking levels that you have to do. And I think risk has missed the boat. Business risk are focused on likelihood and consequence ratings - but they're missing the standard run of the mill technical risk of execution.* ***Hayden****.*

The use of certainty and gating processes for the release of capital was reported, as was the need for constant learning and reappraisal in governing a portfolio of innovation and uncertainty.

> *We're spending three to four billion dollars of capital every year. Every project has a staging gate process, and we would only release 20 million dollars upfront and then you have to pass the gate before the rest of the money got released for the next stage. That was the only way we could really get a real idea of how the projects were going. Sometimes it worked, but we never really cracked that one. We were trying to put discipline in innovation because most innovative ideas actually come from really hard work. I don't think we were brilliant at it, but that's what we were trying to do.* ***Mark****.*

4.7.3. THEME 3: Integrating Multi-Discipline Contributions to Knowledge

Respondents reported their understanding of the importance of bringing multi-discipline knowledge together within the value creation process, and the relevance of this approach to their role. In all, 32 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that integration of multi-disciplinary knowledge was not relevant to their role, their fiduciary duty, or the role of the board.

It was identified that within complexity and uncertainty the best decisions were made on the basis of collectively developed wisdom – developed and refreshed over time:

> *They've got to provide the evidence to support their case – throughout the debate. It's not that this idea suddenly pops up to a sudden, yes or no, big decision. It's an evolution and everyone, all these people, the marketing, the operations, are all involved along the way. They grow up with it. They're involved earlier. If they had concerns, they're voiced, and if those concerns aren't met, they build, and eventually the project drops off. It's important for us that they all come in early in the process.* ***Graeme**.*

> *We make sure we clear the different parts of the company to ask "Is this going to work? How good is it?". It's not just the R&D. We're a company that has to go and manufacture this product, so we make sure we have the capacity and the ability and the factories to do this, the marketing, the commercial guys. You have to plan ahead. And that comes together at these formal process meetings where they're all together. It's part of the process.* ***Graeme**.*

A system of effective behaviours was described as being a meritocracy of ideas:

> *Our American colleagues said they had trouble working out who was in-charge. Everyone seemed to have an opinion. They weren't used to that.*

And I said, "Look, the most important opinion in the room is the person who's most knowledgeable in the topic we're talking about. It's not mine." That's what I'm always looking for. ***Stan****.*

Others described people integrating insight and knowledge across a portfolio as a self-learning hive:

It's a hive that's self-learning. We've got to figure out how we can provide better analysis of that self-learning to help the hive work out how to grow and change with better intent. It's a huge amount of information that has to be processed and passed back and utilised correctly so that good decisions are made – and those decisions keep getting improved. ***Mai-Lin****.*

Some described multi-discipline knowledge as a form of data assurance:

We'll go through a sort of process of understanding and getting comfortable with where those numbers have been derived from within the business. So that's just a fairly standard assurance procedure that we'll go through. For the broader suite of literature and documents that flow around the business, and how the business is structured and the various accountabilities for making sure that that's there – yes, we are far more mature in that space than we were a number of years back and we're continuing to improve. ***Roger****.*

Discussions indicated that the assurance of multi-discipline knowledge had always been valued – but historically it was something applied to an isolated decision.

In my listed company's experience, before a project gets up to the board – before it gets to the senior executive, or the CEO or CFO – you got to make sure it's been through risk people, capital investment people, strategy *people, there's probably more. The more consultations I made with all these different advisors within the organisation gave a level of assurance to the board - so the board has a degree of comfort that when a project comes up that it's been through all those filters.*

Some reported seeing it through the perspective of the continual development of insight into value creation.

We would call that ultimately something like integrated operations. We would translate Industry 4.0 as that end to end seamless integration flow of information, continuous, focused on maximising the achievable throughput of your value creation chain. And all of that is predicated on data. ***Rupert****.*

4.7.4. THEME 4: Visualisation and Data Representation

Respondents reported their understandings of the importance of visualisation and data representation to assist them in their value creation role. In all, 27 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that gaining insight from data was not part of their role, their fiduciary duty, or the role of the board.

The difficulty in extracting meaning from large and complex data was highlighted by many respondents:

The job really is, in a radio communication terms, you're trying to identify what's signal and what's noise… "Is this noise or is this something that we should be taking seriously?" ***Francis****.*

The vital importance of developing insight to improve important decisions was highlighted:

You want innovation, you want product leadership, you want creative integrated approaches. You have to measure. You have to be really disciplined in your data and then you have to aggregate it back up and see what the data is telling you. Sometimes it is hard to see – to get insights from the data because you got so much and it's complicated. But you have to keep at it and really make those judgments. It's really important. ***Stan****.*

And participants reported putting resource and effort into making this happen:

We've hired a couple of big data-type people. We've got all this data. Is there information that we can pull from that? ***Chip****.*

The importance of visualisations in aiding human comprehension in complexity was discussed:

If you just manage it as a list, and that's all you look at, you actually can't comprehend what the portfolio outcomes are going to look like in different forms. When things are too complex, what the mind does is just disregard it, and then tries to take shortcuts. When your portfolio is too complex or is presented to people in a complex way, their mind just switches off, and they look for the answer that they think they need or want, rather than do it in a rational way. ***Mai-Lin****.*

Senior levels respond much better to complex information being presented to them in a visual way. Humans struggle to cope with uncertainty projections - except by tracking trends - humans are very good at reacting to a pattern change when they can visually see what's likely to happen. ***Mai-Lin****.*

Some respondents described extensive board-room use of visualisations that operate in this way:

> *The R&D committee do it at every meeting. We have a visual spreadsheet where track the stage of development of the project… and we have all the different projects in various colours as little balls. Different sizes - a great big size means there's a massive market, there's a massive profit - and its coupled with the timeframe it's going to take you, and the rate of returns. So, these big bubbles and little bubbles, and each month some are getting bigger and some are getting smaller and some drop off. Everything's on that chart, and it's a big visualisation of how we see things.* ***Graeme**.*

And they described the impact data representation on large scale decisions:

> *The board has to deal with $500m on a new factory somewhere – and we can see the need for the capacity to make that particular product at a certain time - and we see all the information that goes into that analysis to know "if we don't do it now, don't commit now, in five years' time, when we've got this opportunity we'll be (crashing). And that's just one part of the jigsaw puzzle.* ***Graeme**.*

> *I'm just someone who understands things better if I can visually see stuff, rather than just listen to stuff, so it's good.* ***Graeme**.*

Insight through visualisation was reported as a key support of a director's ability to fulfil their role:

> *People serve you up tables and numbers. Well, my job is not to analyse the data. Mine is to analyse the information. So, unless you give it to me in an appropriate format, I can't add any value.* ***Brigitte**.*

4.7.5. THEME 5: Shared Insight, Delegation and Activating Aligned Action

Respondents reported that the ability to align the action of people across their organisation to achieve commonly understood outcomes was critical to effective value creation, and a relevant part of their role. In all, 36 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that oversight of shared insight, delegation and activating aligned action was not part of their role, their fiduciary duty, or the role of the board.

Aligning action was identified as fundamental to getting things done:

> *It's a long way from the strategic idea at Board level to an actual outcome on the ground. Strategy never goes more than two levels down in a business. The Board might articulate a strategy, the CEO might sign up to it, the people working for the CEO kind of hear it partly and think "Do I keep my job or not?", "Do I get more resources or not?" and then after that no-one knows about it. In order to do something different strategically, you actually have to get it right through the organisation. Top-down goes down two levels, bottom-up goes up one.* ***Maynard****.*

And, assuring it occurred was identified as one of the key roles of directors and the board.

> *It's the board's key area, for me, after creating value – is setting strategy and ensuring the business is all aligned and heading in the same direction.* ***Clark****.*

> *We'd try to make sure that everyone understood why we did something - and that they had an opportunity to participate.* ***Stan****.*

I think about, "Are all our people thinking about the customer experience?" Are we empowering them to give a better customer experience without them having to go up the line? ***Quentin**.*

An understanding of the need, and an intention to achieve aligned practice was discussed through the perspective of Integrated Reporting, and other frameworks:

Adopting Integrated Thinking and doing an Integrated Report had executives get to know each other better and starting to get buy-in to the long-term strategy from the tone at the top to the beat of the feet at the bottom. ***Jeremy**.*

Through the use of an outcomes approach, an outcomes architecture, people are seeing how all of their contributions are coming together in a more unified set of outcomes. ***Timothy**.*

Making the shift to the future state means being able to bring the majority of people along with you. ***Arthur**.*

But it was suggested that these important behavioural outcomes are not currently able to be measured:

We need performance measures that go beyond our current set. They need to focus on the things that matter in relation to culture and the organisation's unity in driving towards longer-term results. We don't have the metrics for that stuff readily available. ***William**.*

Actual behaviours in some organisations were far from ideal:

What I would see daily was that the head of the wholesale bank was incentivised to screw the head of the retail bank to make five million dollars *extra in his own area - costing the head of the retail bank 50 million. Shareholders lost 45. The head of the wholesale bank got promotion, screwed his internal rival, and got his financial incentive.* ***Andrea****.*

4.7.6. Summary

The findings suggest that directors recognised various management disciplines, practices and controls that were associated with effective and sustained value creation. In particular the findings demonstrate that directors understand: (a) that governance can assist or hinder innovation; (b) that there are practices that assist in engaging with uncertainty; (c) the value of integrating multi-discipline contributions to knowledge; (d) the value of visualisations and data representation; and (e) the value of developing shared insight leading to improved delegation and the activation of aligned action from staff and others. Each finding suggests and describes a component that may, in the future, form some part of a model addressing this aspect of corporate governance.

4.8. Exploring Director Perceptions of the Board's Capacity to Direct Sustained Value Creation (Study Five)

Study Five explores participants' responses that illustrate directors' understanding of, and engagement with governance practices that enable them to effectively direct sustained value creation. It addresses the underpinning research question:

> (RQ5) How do directors perceive the board's capacity to direct sustained value creation?

Six themes were evident in the analysis:

- THEME 1: Clear Understanding of Purpose
- THEME 2: Assuring Multi-Bottom-Line and Future Outcomes

- THEME 3: Insight and Foresight in Complexity
- THEME 4: Optimise Investment, Effort and Focus
- THEME 5: Board Priority, Focus, Time and Agenda
- THEME 6: Accountability to Set and Operate an Assurable Governance Framework

4.8.1. THEME 1: Clear Understanding of Purpose

Respondents reported their understanding of the importance of having a clear understanding of purpose when directing towards sustained value creation. In all, 24 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that working to a maintained concept of purpose was not part of their role, their fiduciary duty, or the role of the board.

Purpose was identified as the basis against which sustained and long-term value, and strategy are defined:

> *It's very clear to everyone at [name omitted] what the mission and the purpose is. It's not about profit maximisation, but the longer-term.* ***Andrew****.*
>
> *I start with strategy. What's your reason for being? Why am I here? What have I refined over time? What's my purpose? And therefore, what's my vision? And if that is the case, what do I think is the best way to get there – and that of course, is strategy and the initiatives underneath the strategy.* ***Murray****.*

Purpose was reported as the unifying concept that could motivate individuals to action:

> *We create public value through the connection of outcome to moral purpose. That's when we are at our best – partly because you get the investment of the whole community in your purpose.* ***Stephen****.*

And it was recognised that purpose needed to be considered, and reconsidered by the board, over time – and against which the sufficiency, or optimisation of action can be measured:

> *There is a deep enquiry that we constantly have about; Can we survive? What is our role? What is our purpose? And are we truly exploring all the options available to deliver on our purpose?* ***Gregory****.*

> *The conversations that are happening around the table now were resisted previously. We are having fundamental discussion related to the reason for the organisation's existence and its roles and responsibilities. All of that is fundamental to our purpose and values.* ***Ursula****.*

Getting the purpose right is difficult:

> *Once I have worked out where I'm heading, then I've got to sort out how I'm going to get there and how to sustain it. That is much harder in one way and easier in another. It's easier because once you have a target, it's much easier to fulfil a target. It's much harder to work out where you should be.* ***Alan****.*

Purpose is fundamental to setting the behavioural integrity for the organisation:

> *If you have an organisation that doesn't really understand why it exists and what success looks like - and the behaviours of the senior people don't*

really reflect what the organisation is saying – then you're going to have a massive disconnect and thereafter, you're going to struggle. ***Stan**.*

You need to develop purpose and use it as a benchmark in your strategic plan. If you don't, then the short-term noise will overwhelm – and the organisation gets embedded in the latest disaster or the latest frivolity. And doesn't actually stick to the stuff that's going to produce the long-term outcomes. ***William**.*

Purpose was reported as something that can be used as a benchmark against which appropriateness of action, and success, can be judged:

Are we maximising brand value? That is not singular... it's fragmenting into multiple different things. You can't rely on the brand, the trust, the legislative protections. And you don't get that looking through a P&L, a balance sheet, or even at traffic lights. You don't get that. You get that from our purpose. ***Gregory**.*

I don't want the measure of my tenure to be what cash we've got at the bank at the end of five years, where in the meantime, the world has gone passed us. So be bold. Come up with things that you want to invest in, based on the direction we agree we are going. ***Chip**.*

4.8.2. THEME 2: Assuring Multi-Bottom-Line and Future Outcomes

Respondents reported their understanding of the importance of being able to have confidence and assurance of multi-bottom-line and future outcomes to their ability to exercise their director's role in sustained value creation. In all, 43 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that procuring access to assurance over multi-bottom-line and future outcomes was not part of their role, their fiduciary duty, or the role of the board.

The importance of reliable information for decision making – despite the complexity of multi-bottom-line and future objectives – was widely reported.

> *We think this is really important because you can't implement effective strategies unless you get the right inputs. And one of the problems with organisations is that they become very silo based. We need to build Board trust that the money they have approved has been used successfully. We need that feedback loop because the spend is more as we get bigger and more complex. We need to see the benefit realisation from decisions that they have made, and we have to get better at it.* ***Gregory****.*

The importance of evidence as opposed to confidence based on trust was highlighted succinctly by Stan.

> *Corporate hubris can be very, very damning.* ***Stan****.*

The internal decision-making value was discussed showing that high quality multi-bottom line and future oriented decision-making is reliant on relevant and reliable information.

> *We need to be thinking about performance measures that are demonstrably geared to the longer-term. And that's financial and non-financial aspects of performance. We certainly need to have a process within the board for constantly bringing everything we do back to why this is important in relation to our longer-term strategy. What long-term goal does this relate to and how is it contributing?* ***William****.*

Building confidence in future-oriented multi-bottom-line value creation was identified as valuable within discussions with external markets – both in an ability to deliver on future intentions – and as an ability to value investing in mitigating risks.

> *That is building a reputation for financial discipline, managerial and operational performance with your investors. To publish intention, and then deliver on it, and point to what you've delivered, and go through the cycle again.* ***Francis****.*

> *And to be able to get a difference in valuation highlighting the cost of inaction versus the cost of action.* ***Francis****.*

And the importance of future-oriented multi-bottom-line value creation measurement was discussed in terms of setting meaningful value creation KPIs for executive incentives.

> *We need to put performance measures in place that actually push the boundaries in terms of not just saying to the CEO, "You need to meet budget". It's about putting measures in place to explore and identify opportunities for innovation and value creation.* ***Ursula****.*

Data quality and assurance was reported as being more than a point-in-time check. It was described as rigorous process whose implementation and operation could be verified.

> *Virtually everything that you need to know can be measured, virtually everything. When you're talking about complexity, ambiguity, technological change, all of which are known unknowns – it's fundamentally what processes and what systematic approach within your organisation for decision making are you going to follow. Assuring that you are paying attention to these issues, within a framework that might enable you to come*

up with some better decisions than you are at the moment. It's a process in a system rather than specific data. ***Andrew**.*

An auditor could say these guys have gone through a rigorous diligent process of trying to predict the future – or alternatively to put their finger in their ear. ***Quentin**.*

It was described in terms of audit in financial governance, and its assurance that the appropriate disciplines and controls have been effectively applied – but it was also recognised that a future oriented model has not yet been described.

That's all driven by the accounting standards and the whole concepts of fair value and there being appropriate processes and professional scepticism utilised by the auditor in looking at the models that are set up by management to identify significant values. Have they got a good model and are they using it sensibly, and what are the risks around it? ***Ira**.*

Lots of valuations are done as a way of anticipating future value, but it's not using a consistent framework for assessing governance.There's no model of which I'm aware talking about a framework for future-looking corporate governance. ***Ira**.*

Nevertheless, respondents reported working towards those goals.

I had a discussion this morning with the GM responsible for this to say, "The next step is assurance.". But I think we'll need to take a couple of steps. ***Gregory**.*

4.8.3. THEME 3: Insight and Foresight in Complexity

Respondents reported their understanding of the importance of insight and foresight within complexity to their ability to execute their director's role in sustained value creation. In all, 53 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that attaining insight and foresight in complexity was not part of their role, their fiduciary duty, or the role of the board.

The need to keep a board operating strategically and effectively amidst increasing complexity was reported as core business:

> *The quality of leadership of a company is very important. And that quality is lacking if they haven't considered the threats to the business from a whole variety of things. You have got to be aware of risks from digital disruption, social acceptance, environmental damage. We see it not as something that is outside the normal remit of the board and its management. It should be core – and not something that is totally separate and different from everything else. It should be a part of the context of how to manage a company. You have got to manage all those things and you have got to be aware of what is going on and you have got to be trying to make sure that nothing sends you off course.* ***Brook****.*

The task of keeping on top of the movement and detail was reported as an impossible task:

> *The future is unknowable to a large extent – as is what you are doing and your trajectory along an evolutionary path. And then occasionally you get a completely disruptive thing that leaves the old dead – so rather switch over to the new or you're dead as well. That's not normally how evolution works even in business. You are just monitoring your progress, external*

benchmarks, external data – and your relative performance is as important as your absolute performance. ***Andrew**.*

You can go home at night and go, "This is too hard. This is way too complex. You've got to say, "I'll go back to basics here. What am I here for? What am I trying to do?" And what things should I be doing so I have enough of the systems and people around you to deal with the details. ***Murray**.*

Insight and foresight was described as becoming more complex, and more ambiguous – where discerning meaning was an increasingly difficult thing to do:

It is becoming more and more complex and more and more resource intensive and more and more fragmented ***Gregory**.*

In this complex world, the direct cause and effect of taking actions is not as plain as it used to be. ***Chip**.*

When things are too complex, what the mind does is just disregard it, and then tries to take shortcuts. ***Mai-Lin**.*

Yet, insight and foresight were reported as being fundamental to directors being able to make effective decisions:

The business itself by definition, I suppose, is multidiscipline, so it has a level of complexity. And the trouble with companies is they have a lot of data. You've got to be able to track at board level the most important strategic measurements in order for you to know that you're doing, and what you want to do. It's just that you can't necessarily land on it from day one. ***Ornella**.*

One absolute imperative for a leader is that they can they see around corners. Can they see what's coming? Because that's their role. ***Andrew****.*

It's hard to get insights from the data because you've got so much and it's complicated. ***Mark****.*

Directors reporting various projects seeking to improve their insight and foresight in this context:

It's about insights, although probably, it should be more about foresights, looking a bit forward. ***Clark****.*

And it was reported that where insight can be attained, for instance with the assistance of visualisation, boards can be more effective:

There are advantages to the visualisation in our discussions. Each thing is so complex, that if you're not careful, you may get a director or two who doesn't quite get it - and gets hung up on a specific minor detail of that one big thing. We can waste a lot of time trying to explain it and get people comfortable with it. Where if you have some other way of seeing it – the board's role in the whole thing works better. ***Graeme****.*

4.8.4. THEME 4: Optimise Investment, Effort and Focus

Respondents reported their understanding of the importance of being able to optimise their organisation's investment, effort and focus in order to be able to effectively direct sustained value creation. In all, 31 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that optimising investment, effort and focus was not part of their role, their fiduciary duty, or the role of the board.

The need to optimise the limited access to resources – be that capital, management time, opportunity, or board focus was reported across all types of organisations:

> *One of the constraints of being a privately held company is access to capital. We have to be very focused and prioritising where we put our capital. That is our major constraint.* ***Clark****.*

> *Our challenge will be new ideas and how do you prioritise the effort? We do evaluations of what is going to be of the most benefit to the whole membership.* ***Gregory****.*

Some identified their appetite for risk as a limiting factor.

> *The risk profile is established by the Board and implemented by management. The challenge for the board, is to determine how much of your resources are you going to actually put into each of the horizons and the risk tolerance of the various stakeholders?*

Some respondents reported a process pivoting on director's judgement:

> *I want to have a good look at the R&D budget. Then you'd get the chief executive and the director of R&D make a presentation, and you look at the various projects, and the risks on each of these, the milestones. You would question, and people will bring different perspectives. That's how you have a board discussion. People have different perspectives on how they think about things.* ***Larissa****.*

Others had a process that was supported by portfolio-wide information and insight. They still had to use their judgement – but reported greater strategic optimisation in their consideration, greater integration of knowledge, greater alignment of effort, and processes of continuous revision:

> *The challenge of our process was you made choices. And choice is hard. Choices are hard where you're investing across short-term programs, medium-term programs, and long-term research, which always sound incredible. How do you get the balance, the portfolio, the shape, the risk-reward right? We had a very rigorous process involving the board.* ***Stan****.*

> *Too many companies delegate that to the management consultant or the numbers people who run their models. Models are fine, but it's the judgements that are important. So, we include all the senior management, operational, research, etcetera, across each site. We'd all share the same data. We'd travel around the world doing the plan so that when we all conclude on the balance "This is what we do" you had no dislocation inside the company.* ***Stan****.*

Respondents recognised the leading capability to direct portfolio optimisation – and recognised the significant sustained value creation performance it delivered:

> *I wanted to make sure that were spending the money where it mattered. We had a very clear view – and knew why we get up every day. And if we do these great things, it's amazing how good the scoreboard looks.* ***Stan****.*

Others reported isolated and inconsistent analysis and judgement calls without the insight… and regrets.

> *My chair used to say, "Are we spending enough?". Are we spending the right placement? Using the power of your balance sheet to invest in the*

future is a really important discussion. We would model and get a risk analysis and review it with the board. But in some areas we weren't. ***Mark****.*

We had a very immature allocation capital to funding innovation... You can make bad investments, but you can also under-invest in the good things. I've concluded that we had a tendency to under-invest. ***Mark****.*

4.8.5. THEME 5: Board Priority, Focus, Time and Agenda

Respondents reported their understanding of the importance of balancing board priorities, focus, time and agenda items in order to effectively direct sustained value creation. In all, 30 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that consideration of the board's priorities, focus, time and agenda was not part of their role, their fiduciary duty, or the role of the board.

The importance of board focus was discussed from many perspectives:

We have an annual calendar of board activity that is constant so I can just pick up where we are right now. Gregory.

It's about who sits around the table and how you actually structure the meetings. It's even about what comes first on the agenda. Traditionally, boards start with minutes, action items, financial performance, risk profile, and then right at the end, it has an hour for strategy by which time everyone is thinking about a glass of wine. If you have strategy right up front, structure your meeting properly, then you're going in to the meeting with a completely different frame of mind. ***Andrea****.*

The role of boards is described in various ways. Usually there's a fairly high degree of commonality, but it's often very kind of layered; you talk about

> *compliance, strategy, guidance and mentoring for the CEO and senior management, and performance monitoring. Fundamentally, it's about strategy and delivering it. If the board keeps focusing on strategy and delivering it, everything else follows from that.* ***William****.*

Chairmen and others reported their consideration of how director's time should be most valuably used:

> *I think about this a lot, obviously, as chairman to big companies "Are we spending our time on the right matters?". That's most stark when you sign off on the agenda and I'm going, "What's –? Oh yeah, of course, we should be talking about that." What's not here that should be here? Or why is that an hour when this is only ten minutes? And just all those sorts of things, and then of course that's just for a day, or two days of meeting. And then you're thinking – well, am I and my colleagues spending our time thinking about all the things we should be thinking for the six weeks before we get on the table again sort of thing? And that's really interesting stuff.* ***Murray****.*

Most respondents reported that strategy was predominantly engaged at a once-a-year session that was described as lasting anything from one to four days:

> *As far as the board goes, we have corporate planning, four days probably, where each of the businesses comes in and presents its five-year plan over several hours. You get pretty good exposure through that.*

But it was also reported that increasing amounts of time were committed to strategy and strategic issues:

> *An interesting evolution of the board since I joined four years ago. We had an annual three-day offsite with the senior management to talk about*

strategy, and one six monthly review of how we were going against that strategy. And that was it. Now, we have strategy as the first item on our agenda every month. Up to two and a half hours talking about strategy every month as well as doing the three-day offsite. So, strategy's gone from being something that we did once a year and reviewed once a year to something we do every single month as a priority. ***Clayton**.*

Others reported directors committing time in an ongoing formalised role in an ongoing process of value creation optimisation:

We have three subcommittees and the appropriate board directors go to each of their subcommittees. The audit and risk management committee, the directors on the committee go. Every other board member is invited to any of those committees. No one wants to go to the audit committee. No one apart from the odd psychopath wants to go to the HR committee. But the R&D committee, they usually all turn up. They all turn up because they like to know what's going on. It is the story of the company and the future. ***Graeme**.*

4.8.6. THEME 6: Accountability to Set and Operate an Assurable Governance Framework

Respondents reported their understanding of their accountability to set and operate an assurable governance framework in order to effectively deliver on their role in directing sustained value creation. In all, 43 of 55 respondents identified this concept in their interviews. No participants made statements suggesting that setting and operating an assurance governance framework was not part of their role, their fiduciary duty, or the role of the board.

The concept of effective boards requiring good people supported by good governance systems and controls was discussed from a variety of perspectives:

> *It's really hard. What makes a board "effective"? We have a framework here that says "ultimately – what are the functions of the Board?". The functions of the Board are; to hire and fire the CEO and therefore management, to approve company strategy, to monitor performance, and to put the right governance structures in place so that the company can be governed and managed. There is a risk that the Board might become less effective over time - but there are controls, theoretical governance things, sort of risk controls. If you have an effective Board that has those things in place - that is the best sustainable scenario.* ***Eugene****.*

It was widely reported that Boards were heavily reliant on the quality and appropriateness of the information they received. Some respondents went further to point out that procuring the necessary quality and appropriateness of information was the director's responsibility – and that systematising information was critical to sustained success:

> *Boards can get any information that they request and that they believe is relevant to their deliberations. So, if they're not getting the right information, it's as much their fault as management's.* ***Andrew****.*

> *If your goal is to continue to be successful, then you would systematise your review of how the environment in which you are playing in is evolving and changing.* ***Andrew****.*

And it was discussed that boards needed reliable data to determine core decisions related to the sustainable future of the organisation:

It is the Board's decision to determine how much are they prepared to invest in our future. And, they can only do that if they have got enough information to understand the issues and have the confidence that the plans being offered up to them make sense and are going to be effectively executed. ***Gregory****.*

A number of respondents discussed a director's responsibility for the rigour of the information they applied in making their decisions:

The chair should be watching and making sure that there is contribution from all the Board and that there is enough rigour in the papers and the committee structures – so you have a diverse set of people – talking about the right things – at the right time. ***Solomon****.*

The board's responsibility for procuring assurance and rigorousness of information was discussed in relation to the preparation of traditional audited financial accounts alongside non-financial information – as integrated information required for extended external reporting, and effective decision making:

Directors owe their duties of good faith, care, skill and diligence to the company and should be integrating financial and non-financial information. They have to spend more time in understanding those financial and non-financial reports and extracting the material matters, defined as those which impact on the economy, society and the environment. ***Jeremy****.*

No financial director today deals only with preparing a company's AFS. To call him/her a chief financial officer is a misnomer. No financial director worth his or her salt deals only with the numbers. They deal with the whole *value creation process to effectively partner with other executives in the company. They are more accurately Chief Value Officers.* ***Jeremy****.*

The boards' leadership role, and influence exerted through demanding the information they need was discussed from various perspectives:

If they demanded information about their value creation effectiveness and what they can do to improve effectiveness, they would, in most cases, be able to get meaningful information, and influence behaviours. The problem is that they don't have enough clarity about what their long-term objectives are to actually ask for it. ***William****.*

Even at board level, it's about leadership. Boards that lead the organisation, not follow it, are the ones that make the difference. ***Andrea****.*

The board's unique role in long-term outcomes – for pursuing strategic objectives – and in setting cultural behaviours was reported:

We had a conversation about how to embed the longer-term view – and drive that in the organisation. It was clear that we had to drive it up beyond the CEO to the board - because even the CEO recognised that this has to outlive his position, his journey. So, the board has to own it, which brings a degree of driving the rigor and the governance around it to a higher notch. ***Hayden****.*

An organisation that has a holistic and robust governance system could be seen to be innovative, entrepreneurial, creating value, respected, have good reputation, a good brand – where it is recognised, there is trust and there is confidence. I have worked in organisations that aspired to that model of empowerment, trust, vision and it was a great place to work – but *when the leader leaves things change. So that's where I go back to the role and leadership of the Board with governance.* ***Ursula**.*

The leadership responsibility for procuring governance was recognised across different types of organisations:

That governance practice evolved and got more and more sophisticated. We worked very hard to do that. And to be frank, the board isn't that involved in the process. No. No. The board gets involved to make sure there is a process. ***Stan**.*

The driver goes to the skills and experience of the people in the most senior leadership positions in the business. And, who do we have on the board leading the business? Where have they come from and what are their expectations based on their own accrued experience over decades? I think the fact that we're making these improvements is testament to who's been brought in to leading the business. Our chairman, as you would know, is in some of the largest organisations in the world – and would've seen some very robust examples of good governance. In fact, all of our directors really have that kind of experience. ***Roger**.*

Despite the drive for instant decision-making in response to knee-jerk populism, that the role of the Public Service is to actually try and strip back to what is it that we do that is different? And it's – for me, it's the promotion and protection of the fundamental values of good public governance and it's the engendering of trust in – public trust in governance. The bits that I can influence as the head of the Public Service is in how the governance of the state is organised. And the Premier is unrelenting in talking about our move to an outcomes approach to governance. ***Stephen**.*

The impact and utility for the board of running an assurable governance framework for value creation was describe succinctly:

> *We decide what we aspire to be.* ***Graeme**.*

And its importance to board was described.

> *We're trying to make sure we tell management, the whole company, the world, that innovation is important to us – just as important as HR and Finance.* ***Graeme**.*

The board's role and responsibility to set the standard was reported.

> *The board sets the bar, don't they? The board sets the standards for these things.* ***Thomas**.*

Increasing accountability from investors was identified.

> *Most global investors who've got money here have pretty high standards. They want to know you're doing the right thing on this stuff. It's not just we're holier than thou - it is our standard but if it wasn't, we wouldn't be able to raise money from a lot of these investors.* ***Brendan**.*

And increasing accountability at law was mentioned:

> *With all of this, the law imposes obligations around the process. It's about robust process more than the substantive outcome.* ***Pauline**.*
>
> *But just because it's hard to do and it's difficult, doesn't relieve directors of their obligation to do that and use the best information that's available and perform a calculation. There is most definitely under the law an obligation on directors to be proactive in their information gathering and proactive in*

> *their critical evaluation and questioning of the information that comes back to them - the assumption on which their delegates or experts are reporting back to them - the scope of the information they're given – and even whether or not an issue was raised with them at all.* ***Pauline****.*

Yet, not everyone was happy to put up with the status quo:

> *I'm not satisfied. Any non-exec director who tells you they are is talking shit. From a board position, a non-exec director position in the Australian public company governance framework is very hard to do. It's very hard to do because there is a perception that's enquiring too deeply is encroaching on the role of management. And what I find frustrating is that line of sight connection between the work people do day-to-day and the strategic outcome you want – and the assurance the two are connected – is very, very hard to get.* ***Damien****.*

> *We've been on the journey to outcomes for 20 years. I'm sick of being on the journey. I want to arrive.* ***Patrick****.*

4.8.7. Summary

The findings suggest that directors recognised various aspects and disciplines of governance that were associated with their ability to effectively direct sustained value creation.

In particular the findings demonstrate that directors recognised: (a) the impact of sharing a clear understanding of purpose; (b) being able to assure multi-bottom-line and future outcomes; (c) having access to insight and foresight in complexity; (d) being able to optimise investment effort and focus of their organisations; (e) the allocation of the board's own priority focus time and agenda; and (f) the board's accountability to set and operate an assurable governance framework. Each finding suggests and describes a component that may, in the future, form some part of a model addressing this aspect of corporate governance.

4.9. Chapter Summary

This chapter presents an integrated multi-disciplinary analysis of directors' perceptions of various aspects of governance as it relates to sustained value creation. This investigation into the purpose and role of the board, and the processes that must be in place to enable directors to fulfil that purpose, responds to prior calls for new approaches.

The five research questions have produced thirty findings. The directors find the themes explored in this chapter to be relevant, and where indicated, important to their consideration of their role, governance and sustained value creation. Each finding suggests and describes a component that may, in the future, form some part of an integrated multi-disciplinary model of corporate governance.

CHAPTER 5

5. Chapter Five: Discussion and Conclusions

5.1. Introduction

This thesis explored the links between corporate governance and sustained value creation within large scale organisations. The research identified directors' perception of what is important to the fulfilment of their role in sustained value creation, within a context of increased challenges and expectations. The research looked at value creation beyond the relatively simple measure of short-term financial returns.

The research findings were based on semi-structured interviews with 55 directors. The directors drew from their current and historical roles and from their wider corporate experiences. The sample included directors from nine of the ASX10 (top 10 listed companies in Australia), as well as directors and board-connected senior executives from other large-scale organisations including ASX200 and NASDAQ listed, private firms, mutuals, community sector, superannuation investors – and director equivalents from public sector organisations. The participants included some of the most well-known Australian chairs and highly recognised subject matter experts.

The research analysed director's perceptions and understanding of their own role, their understanding of value, the sources of value creation, the management practices and controls of value creation, and the board's capacity to direct value creation. The research responded to calls for a fresh approach to corporate governance research by incorporating an integrated multi-disciplinary qualitative investigation.

In the remainder of this chapter, the findings of each of the five research questions are summarised, and then discussed in relation to the corporate governance literature. The chapter then considers the contributions of the thesis to theory and practice, discusses the limitations of the research, and offers suggestions for future investigation. It then closes with conclusions and final remarks.

5.2. **Summary of Key Findings**

This thesis explored the link between corporate governance and sustained value creation through five research questions. The first question asked, “How do directors perceive fiduciary duty, and their role with respect to sustained value creation?”. It was found that directors understood that their fiduciary duty included the responsibility for achieving sustained value creation, and that they needed to consider this from a variety of perspectives. Directors considered: (a) their fiduciary duty and the role of the board; (b) the optimised stewardship of assets; (c) the optimised creation of value; (d) the optimisation of risk opportunity and new challenges; (e) sustained value versus short-termism; (f) various exogenous pressures; (g) the constraints of the influence that a board can exert in practices; (h) their role in assurance; and (i) CEO selection, remuneration, incentives and culture. The findings demonstrate that directors deliberatively consider the nature of their own role within the variety of influences and expectations that are placed upon them.

The second research question asked, “How do directors perceive value?”. Directors shared a variety of perspectives on value within the context of sustained value creation. It was found that directors considered value in terms of: (a) the perspective of multiple stakeholders; (b) financial and non-financial outcomes; (c) social outcomes; (d) the development of value and certainty over time; and (e) the value of organisational values and ethics.

The third research question asked, “How do directors perceive the factors contributing to value creation?” The findings demonstrate that directors understood: (a) a number of differences arising from knowledge economy and digital economy opportunity; (b) the necessity and challenges of portfolio proliferation; (c) the importance of strategy and strategic agility; (d) the contribution that arises from internal insight and foresight; and (e) the contribution that arises from external insight and foresight.

The fourth research question asked, “How do directors perceive the practices and controls of effective value creation?”. The findings demonstrate that directors understood: (a) that governance can assist or hinder innovation; (b) that there are practices that assist in engaging with uncertainty; (c) the value of integrating multi-discipline contributions to knowledge; (d) the value of visualisations and data representation; and (e) the value of developing shared insight leading to improved delegation and the activation of aligned action from staff and others.

The fifth and final research question asked, “How do directors perceive the board’s capacity to direct sustained value creation?” The findings indicate that directors recognised: (a) the importance of sharing a clear understanding of purpose; (b) being able to assure multi-bottom-line and future outcomes; (c) having access to insight and foresight in complexity; (d) being able to optimise investment effort and focus of their organisations; (e) the allocation of the board’s own priority focus time and agenda; and (f) the board’s accountability to set and operate an assurable governance framework.

In all, the thirty findings listed above, described by the thirty themes within the five research questions, provide an integrated multi-disciplinary understanding of directors’ perceptions of various aspects of governance as it relates to sustained value creation. The findings, underpinned by the ease with which respondents spoke about the concepts, suggest that directors find the issues explored in this thesis to be relevant and important to the governance of sustained value creation. These thirty findings advance corporate governance research, enhancing the likelihood of future development of an integrated multi-disciplinary model of corporate governance.

5.3. **Discussion of Key Findings**

The interpretation and discussion of these findings is necessarily tentative as is appropriate for exploratory research. In the absence of previous qualitative studies on directors' perceptions of what is important to their governance of sustained value creation, comparing the individual and collective findings to previous research is a challenging exercise. Refer to Chapter 2, Sections 2.5-2.9 for a detailed discussion of the contextual relevance, knowledge, gaps and debates in the multi-disciplinary literature underpinning each of this study's thirty individual findings.

In this section, a broader understanding of the findings is discussed in relationship to: (a) the literature recommending new approaches to governance research; and (b) the literature on the board's roles, processes, and causative links of governance to sustained value creation.

First, this research responded to many of the calls for new approaches found in the literature. Aguilera et al. (2016) recommend a future research agenda including investigating shareholder heterogeneity, stakeholder influence and their financial and non-financial interests, national corporate governance systems, and corporate governance's impact on value creation. These are studied in this thesis in an integrated approach from the director's perspective. This study further delivers on calls from Aguilera et al. (2016) to investigate board capital looking beyond the CEO and Chair to systemic interaction with top management's strategic contribution through identification of the management embedded concepts and processes that directors rely on when governing value creation. And this study demonstrates a response to the call for methodological advances, including interviews with directors, to deliver corporate governance research better able to understand the inner workings of the boardroom, to draw inferences of how directors make their decisions, and to improve understanding of board processes and dynamics (Aguilera et al., 2016).

Larcker and Tayan (2019) observe that four key terms central to reliable and effective corporate governance (i.e., good governance, board oversight, pay for performance, and sustainability) are widely misunderstood. The findings of this study respond to this gap by expanding our understanding of: (a) what directors see to be important to their governance of sustained value creation; (b) the practices required for assurable board oversight; (c) incentives and the measurement of an enhanced understanding of value creation performance; and (d) sustainable achievement of financial and non-financial outcomes.

Taking an integrated reporting perspective, La Torre et al. (2019) call for a shift to pragmatic research investigating internal practices and integrated thinking as is delivered through the investigation of this thesis. The exploratory research undertaken in this thesis is a response to the encouragement by Garratt (2017) for a deep reconsideration of the international development of corporate governance, and its findings are a demonstration of his call for the reframing of governance and leadership towards competence and values.

This thesis and its integrated multi-disciplinary approach provides a response to Ford and Rooney (2016) and their calls for research relevant to complex and emerging corporate governance concerns, looking beyond a list of ideal characteristics to consider corporate governance processes and practices inclusive of social responsibility, sustainability reporting, and strategy. This study demonstrates an approach that addresses concerns that: (a) current research does not adequately explain the influence of changing attitude to managing risk over time; (b) research outcomes are difficult to interpret from a practice perspective; (c) most researchers treat corporate governance practices as independent of each other, rather than complementary, producing at best, partial explanations for corporate governance outcomes; (d) there is limited exploration of in-depth qualitative examination of corporate governance processes, practices and social relations; and (e) insights for practice are often limited to normative statements rather than deep explanations or causal relationships (Ford & Rooney, 2016).

The methodology and interview protocol applied in this thesis addresses calls by Crow and Lockhart (2014) to overcome the dominant research agenda of performance proxies and statistical analyses that lack explanation of why patterns or regularities occur, or their importance. The demonstrated approach breaks the research impasse they observe, accessing directors to gather primary data, and demonstrating that such access enables alternative approaches, deep understanding to be gained, and credible postulations to be made to advance governance research in the absence of a unifying theory.

The multi-disciplinary qualitative methodology applied in this thesis demonstrates a response to Filatotchev and Wright (2017)'s call for corporate governance studies to integrate the heterogeneity of various governance factors and the configurations of corporate governance, thereby overcoming common failures that may lead to research conclusions for practice and policy that could be misleading. The approach taken in this work provides an example of what Filatotchev and Wright (2017) suggest are relatively few qualitative studies of governance, that convey a richness and depth of data from different sources, avoid common limitations of survey instruments, and engage companies on the basis of appropriate theoretical justification rather than being deemed simply to be doing 'interesting' things. This thesis demonstrates their call for qualitative studies to engage with the various relevant stakeholders including executive and non-executive directors, institutional investors and others rather than just presenting one perspective.

And this thesis tentatively advances their call for governance research to develop towards a subfield of “governance as process”.

Khlif et al. (2019) identify the question of corporate governance as plural, needing multilevel approaches to meet the new challenges of complex realities. This thesis demonstrates research operating in this context. It demonstrates their call for methodological approaches, and new thinking that is more integrated, grasping the same dichotomic phenomena with multiple lenses. It is a tentative advancement towards their call for a theoretical framework that can examine these complex realities.

Second, in addition to discussing the findings in relation to new approaches to governance research, this section also discusses the literature on the board’s roles, processes, and causative links of governance to sustained value creation.

The findings of this study, support and extend the findings of Klarner et al. (2019)’s investigation into the role directors play, engaging with organisational members, for governing the complex and long-term issues of product innovation. They provided four cases of a sequential process of board involvement, each varying in terms of the direction (proactive or reactive), timing (regular or spontaneous), and the extent of formality of exchanges between directors and organizational members. Klarner et al. (2019) introduce the concept of board behavioural diversity and theorize about the multilevel, structural, and temporal dimensions of board behaviour and its relational characteristics. The findings of this thesis describe the nature of these board-management exchanges, explaining the varying degrees of formality, and describing perspectives from which the different roles in an organisation can be understood. The findings also describe how the regularity, consistency, and information basis of these exchanges can be assured, and the relationship between quality practices and optimised achievement of outcomes. And, this research transfers the findings from product innovation to the more general issue of governing the complex and long-term issues of sustainable value creation in all of its forms. This thesis aligns with the Klarner et al. (2019)'s proposition that the complexity of long-term issues presents a higher order challenge for governance, and goes on to describe thinking and disciplined methods as reported by directors to meet this challenge.

This study explores the configurational and complementarity approach to bundles of firm-level corporate governance practices investigated by García-Castro et al. (2013), with a focus on organisational work practices and their different fields of management study. García-Castro et al. (2013) used a fuzzy logic approach to identify the bundles leading to high firm performance. To overcome equifinality, being that alternative practice combinations can lead to the same organisational outcomes, they used fuzzy logic to link bundles of practice and data from previous studies of firm performance relating to board independence, CEO duality, executive pay, and ownership structure. The findings of this thesis explain, rather than correlate, the relationships between bundles of practice, and engages their contribution to sustained value creation performance. Extending beyond correlations demonstrating that certain practices are likely to be effective when used together (García-Castro et al., 2013), this thesis provides a basis for understanding the management and governance objectives that an organisation may seek to achieve, and thus contributes to the decision-making by which organisational practices may best be selected.

The findings of this thesis advance our understanding of the various academic and authoritative definitions of what corporate governance is (ASX Corporate Governance Council, 2019, p. 1; Committee on the Financial Aspects of Corporate Governance, 1992, p. 1; King Committee on Corporate Governance, 2016, p. 20), in relation to sustained value creation. The findings within each of the themes, within each of the five studies describe director's perceptions of the objectives and work practices that they understand as important to their governance of value creation. Whilst there are many definitions of governance as variations of “the systems by which effective leadership of authority is exercised”, the findings of this thesis provide a tentative advancement on an integrated multi-disciplinary codification of the practices involved in that system from a value creation perspective.

The findings of this research adds weight to Carver (2010)’s proposition that a unified governance theory can be developed, even though director roles and responsibilities vary from board to board. The finding that having a clear understanding of purpose is one component within an integrated multi-disciplinary approach supports the view that such a theory would be anchored in the purpose of boards, rather than derived from current board practice. And the finding that these components are found frequently across different styles of organisation is a tentative suggestion that a unified theory may be feasible. The findings further support the proposition of Khlif et al. (2019) that a global, comprehensive and encompassing governance theory would provide integrated insight to comprehend the same phenomena with multiple lenses. Each multi-disciplinary component theme identified in the findings can be considered a disciplined governance lens on the issue of sustained value creation, and at the same time, a lens through which each of the other components can be better understood.

This thesis provides an alternate approach to the stream of research responding to calls to “dismantle the fortresses” of board research through the exploration of board behaviours (Zattoni & Pugliese, 2019). It supports the importance of understanding how boards work, make decisions, achieve cognitive insight, and interact on value creation issues (Conheady et al., 2015; Finkelstein & Mooney, 2003; Forbes & Milliken, 1999; Li et al., 2018; Nicholson & Kiel, 2007; Pye & Pettigrew, 2005; Wan & Ong, 2005). But, the findings of this study suggest that the answer may be found in mechanistic investigations such as those seen in the analysis of financial governance maturity, rather than in the sociological investigations of the human aspects of corporate governance (Hilb, 2010; Maharaj, 2009). Instead of investigating the behaviours of individuals and groups through socio-cognitive theoretical approaches (Forbes & Milliken, 1999), power theories (Hambrick et al., 2015), and social-identity theory (Hillman, Nicholson, & Shropshire, 2008), this study suggests that individual and group behaviours, cognition, and decision-making is more materially impacted by the reliability, consistency, insight, and presentation of information. This study finds that directors perceive that the board's ability to engage and effectively address the issues that matter are more driven by the insight available to them, than their interpersonal interactions. Participants in this study had very little to say on the board's power dynamics, diversity, interactions, psychology, or the legal constitution of their organisation (Zattoni & Pugliese, 2019). Directors spoke readily of board tasks, processes, accountabilities and fiduciary duties, but described these in more practical, mechanistic, disciplined and specific terms than they are covered in the existing literature. This study provides a basis for re-interpretation of the concept of board tasks, processes and accountabilities, that suggests an alternative approach to analysing effective board behaviours.

The findings support the arguments that information is key to an effective board. The results support Sanchez et al. (2017)'s argument that a board's capacity for driving strategic change and sustainable performance is driven by cognitive flexibility attributable to the board's capacity to process information. However, whilst much of the research has focussed on the human or social elements of cognitive capacity and decision making, the findings from this research indicate that the quality and reliability of information (Johanson, 2008), and the form of its presentation is, potentially, a more significant factor. The findings of this research supports Cornell (2003, p. 71)'s proposition on the importance of investigating "what type of information directors must have to discharge their duties effectively", and advances the discussion of what that data may be, how it can be procured in a reliable form, and how it can be presented to maximise cognition.

And finally, by describing components of practice and their interrelationships, the findings of this thesis supports the proposition that "making a board effective requires spelling out its work, setting specific objectives for its performance and contribution" (Drucker, 1991, p. 114). The findings build evidence to support the proposition that in-depth investigation of corporate governance processes and work-content practices, from an integrated view (Crow & Lockhart, 2016; Ford & Rooney, 2016; McNulty et al., 2013) may provide practical insights, explanations and causal relationships.

5.4. **Implications for Theory**

This study's exploratory aim was to find a new perspective from which to better understand the complexities of governance and sustained value creation. The ease and frequency with which directors reported their perceptions of their role in sustained value creation and its supporting concepts, contrasts the few recommendations for practice found in the literature and prevailing theories. This study's initial detailed exploration of what matters to directors, and its identification, description and structuring of common themes may be relevant to future theory development that integrates such practical connections.

The thirty findings from the five research questions in this thesis advance the corporate governance research agenda, suggesting and describing thirty components that may, in the future, form some part of an integrated multi-disciplinary model of corporate governance. This study grounds those components in the multi-disciplinary supporting literature, and contextualises their inclusion into corporate governance thinking. The recommendations for future research following (See Chapter 5, Section 5.7) invites researchers to test and broaden this study, and to use the existing governance theories to develop a more nuanced understanding of these component findings.

Further, this research may encourage scholars to consider the utility and contribution that is made by the many management disciplines implicated in the findings of this study, when seeking to understand corporate governance and sustained value creation. Integrating disciplines such as enterprise portfolio management, data visualisation, governance of benefits realisation, enterprise risk management, market scanning and others may take researchers one step closer towards a unified practical model of governance of sustained value creation. This study applied outcome-based language in its interview protocol and data-driven analysis to structure integration of the many disciplined practices organisations can choose from to achieve common goals. García-Castro et al. (2013) described these choices as equifinality, and identified it as a barrier to discipline-based governance research. This study's approach may not be the only way to overcome this barrier.

The two sub-sections that follow provide a reflection on the knowledge developed by this study, and the implications it may suggest about the characteristics of future governance model development.

5.4.1. Hiding in plain sight: The utility of a mature precedent

> *There are these two young fish swimming along and they happen to meet an older fish swimming the other way, who nods at them and says "Morning, boys. How's the water?" And the two young fish swim on for a bit, and then eventually one of them looks over at the other and goes "What the hell is water?" (Wallace, 2009, p. 1)*

The governance literature (see section 2.5) suggests an integrated multi-disciplinary approach may be required to engage, explore, and ultimately explain the complexities of corporate governance and sustained value creation. This suggests that locating an existing mature, integrated, multi-discipline and universally applicable governance model in the literature, may be of great value. Such a model would provide reflection and comparison that could potentially help explore and explain a model for governance of sustained value creation.

However, whilst Section 2.2 reviewed the prevailing governance models and theory, it was unable to provide an example of integrated multi-disciplinary approach to corporate governance. Similarly, Section 2.3 was unable to provide examples within the sustained value creation literature.

However, financial governance is a mature concept that currently underpins almost all organisational activity and decision making – involving accounting, audit, and integration of wide variety of multi-disciplinary roles covering both core functions (i.e., accounts receivable, audit and budget creation) and client functions (i.e., procurement, line management, facilities management) (Gaffikin, 2008; Godfrey, Hodgson, Tarca, Hamilton, & Holmes, 2010; Watts & Zimmerman, 1990). Financial governance provides a platform of reliable, consistent, integrated data and knowledge that informs decision-making. Financial governance's guidance and operation significantly improves the effective operation of organisations, markets, economies and societies (Hunton, Wright, & Wright, 2004; Owen, 2010). Financial governance is universally applied across many forms of organisation, in a backwards-looking, financial-value-focused governance model aligned to, but not sufficient for, value creation. It is a powerful example, but does not deal with the full range of issues involved in either corporate governance, sustained value creation or their intersection (Beattie & Smith, 2013; Gray, 2006).

For all of its mature nuances, financial governance does not address all problems. It engages (almost) exclusively in financial issues in a backwards looking manner. Financial governance does not provide insight that enables leaders to balance their efforts across multiple uncertain forward-looking purposeful outcomes. Nor does it fulfil the broader role of explaining the governance of sustained value creation in complex organisations. An exploration of financial governance may provide the basis for reflection and learning, but it is unable to provide a foundation for a new model of corporate governance.

The global financial standards bodies are working on incorporating non-financial, intangible and extended financial concepts (Braam & Peeters, 2018; Simnett, Vanstraelen, & Chua, 2009). The need for future-oriented disclosures and audit has been proposed (King & De Beer, 2018) and widely canvassed through consultations from standards groups (e.g., IAASB consultation on Extended External Reporting Assurance, 2019), and the UK's Brydon Review into the Quality and Effectiveness of Audit. The vast majority of effort has been through research and practice around various forms of extended reporting – not a system of financial and non-financial governance. The systemic use by boards of an enhanced suite of assurable future-oriented management accounting information, or the impact this might have on value creation or company performance, has attracted surprisingly little attention (Crombie & Geekie, 2010; Esch, Schulze, & Wald, 2019; Johanson, 2008).

This brief section seeks to open up exploration of the currently understood issues of governance, and governance of sustained value creation through the mindset, the thinking but not the tools, of financial governance. This enables reflection on what an assurable governance model and improved platform of control and decision-making over a broader domain may look like (Esch et al., 2019).

Financial governance can inform our collective understanding as to how best to combine standards, practices, roles, governance, regulation and other factors to produce assurable insight into the complexity of an organisation's actions (Baret & Helfrich, 2019; Randles & Laasch, 2016). The big question of whether this precedent can be repeated is beyond the scope of this thesis. But this thesis hopes to lay out a case for further investigation in this direction. Reflections on what we know and can observe of financial governance in theory and practice, within an exploration of governance of sustained value creation, may provide valuable perspective from which a more complete understanding of corporate governance can be formed.

5.4.2. Universal and integrative governance

Whilst a holistic, integrated, consistent and comprehensive model for governance of sustained value creation is not found in the literature, the theory and practice of financial governance provides a precedent that illustrates the viability of its creation, integrative operation and universal adoption. Financial governance is the set of disciplines and practices that include accounting, audit and the internal organisational components of management practices, strategic decision-making, governance and reporting (Esch et al., 2019). Financial governance's set of disciplined practices integrate to provide integrated insight in the form of a P&L and balance sheet and a few other instruments (Ainsworth & Deines, 2019).

Financial governance is predominantly financially focussed, and backward looking. Global accounting standards setting bodies (e.g., IAASB and IFRS) are leading the expansion of financial governance and accounting beyond purely financial measures to an extended definition of value (Lu & Wang, 2018). Financial governance provides a precedent for considering how the "directors' perceptions of a broader understanding of value involved in sustained value creation", as explored in Study Two, may be modelled.

Accounting engages a complex interwoven typology of financial transactions to provide the insight that different people need to perform their role in the organisation (Cummins, Harris, & Hassett, 1995). Financial governance may provide a precedent for considering how the “directors’ perceptions how and where value creation transactions occur”, as explored in Study Three, may be modelled.

The board’s fiduciary duty and related roles are well understood within financial governance. The board has a vital role in procuring and endorsing assurance over not just the numbers, but also the quality of the underlying systems (Brennan & Kirwan, 2015; Hines, Masli, Mauldin, & Peters, 2015; Lara, Osma, Mora, & Scapin, 2017). Other roles are attracted to the board based on the needs of the organisation’s constitution, market, sector, life-cycle and other factors (Ahmed Haji & Anifowose, 2016; Hiebl, Duller, Feldbauer-Durstmüller, & Ulrich, 2015; Neamah & Abdullah, 2019; Vafeas & Vlittis, 2015). The board’s fiduciary duty, understood in relation to financial governance provides a precedent for considering how to model “directors’ perceptions fiduciary duty for value creation”, as explored in Study One.

Financial governance guides decision-making and the delegation of authority that activates independent action throughout the organisation (Garg, Ghosh, Hudick, & Nowacki, 2003; Nagar, 2002; Zimmerman & Yahya-Zadeh, 2011). It sets the rules and practices for data quality (Kaplan, Krishnan, Padman, & Peters, 1998), and handling decisions within, or exceeding, defined authority. Financial governance provides a precedent for considering how the “directors’ perceptions of the practices and controls necessary to engage sustained value creation”, as explored in Study Four, may be modelled.

The board has a defined role, and mature practices within financial governance. They have understood roles in approving budgets (i.e., expectations of value outcomes), procuring and endorsing the necessary assurance, setting delegation of authority and other financial policy, authorising decisions above a delegation threshold, and increasingly in setting risk appetite (Cohen, Krishnamoorthy, & Wright, 2002; Gontarek, 2016; Ingram

& Rayburn, 1989). Financial governance provides a precedent for considering how the "directors' perceptions the board's capacity to direct sustained value creation", as explored in Study Five, may be modelled.

Audit and assurance, within financial governance, is the process of verifying that an organisation has effectively implemented the disciplines that the standard dictates are appropriate for the specific lines of business in which the organisation operates. Audit does not review every transaction, nor rely on interviews with executives. It does not look at directors ages, genders, external linkages, skills or other characteristics. Audit checks that the necessary controls have been adequately applied, and assures that the information that is presented at key (internal and external) decision-making forums is reliable, consistent and high quality – supporting reliable, consistent and high-quality (although backwardly informed, and financially singular) decision making (Cohen, Krishnamoorthy, & Wright, 2017; Cohen et al., 2002; Rezaee, Elam, & Sharbatoghlie, 2001; Werner & Gehrke, 2015).

Reflection on financial governance may provide a new pathway to overcome shortcomings in prior governance research into sustained purposeful value creation (Bebbington & Unerman, 2018). It may provide a demonstration of a scalable universally applicable model sufficient for equitable and sustainable global development (Khlif et al., 2019).

5.5. **Implications for Practice**

A major implication for practice arising from the findings of this research is the identification of the directors' duty to procure fit-for-purpose practice that enables them to effectively govern for sustained value creation. This finding mirrors the well understood responsibility of directors, and supporting professional disciplines, to ensure that their financial governance practices are assurable and fit-for-purpose.

The findings of this research compel directors to seek out governance practices for sustained value creation that are future-oriented, and encompass both financial and non-financial value. The findings provide an initial prescription for boards to develop internal controls and disciplines in support of emerging financial governance requirements: (a) as indicated by accounting standards setter IAASB's guidance on extended external reporting; and (b) in order to achieve the expected outcomes of IIRC's integrated thinking.

The findings of this research behoves directors to seek out governance practices for sustained value creation to enhance their ability to govern effective optimised achievement of purpose, for either competitive or self-motivated achievement of purposeful outcomes. The findings indicate that enhanced governance practices are not mythical. They are possible, available, and in use by some organisations. This recommendation will be more compelling if further research is undertaken to demonstrate the link between these practices and performance.

The findings of this research identify that the issues of external pressures, and internal complexities are significant, shared, and on the increase. It suggests that enhanced governance practice is available that enables some organisations to deal with these issues better than others. It potentially puts directors on notice that enhanced governance practice may increasingly become a requirement for sustaining value creation over the longer-term, and may increasingly become an expectation of investors, regulators and public stakeholders. It suggests that practitioners should take a keen interest in ongoing developments arising from theory and practice and seek to develop their governance capabilities over time.

5.6. **Limitations**

This qualitative study has a number of limitations that may have impacted or influenced the application of the research, or the interpretation of the results. Following the advice of

Brutus, Aguinis, and Wassmer (2013), this section outlines only those weaknesses that matter most. These include lack of prior studies, self-reported data, variations in applied practice, limited triangulation, and changes in external pressures. These are discussed in the following paragraphs.

The research is limited by a lack of prior studies of directors perceptions of governance for sustained value-creation with a process and practices emphasis, that provided this study with little guidance on what questions to use, or structures to guide the data analysis. This was mitigated through exploratory research techniques including open reflective questioning techniques, and data-driven analysis based on observation of repeated responses across a sizable sample. Despite these mitigations, the study has only reached modest conclusions that may need to be verified or explained by further research.

This study has been limited by the use of self-reported data, and variations in the standard and maturity of practice of governance for sustained value creation. The self-reported data reflects differences in levels of understanding and experience amongst participants. This leaves open the introduction of bias from the researcher in how responses were interpreted into common themes. If this investigation was applied to a mature discipline such as financial governance, it is probable that participants would have been clearer and more consistent in their responses. Further research using similar methods may result in the identification of a different set of themes.

This study can only claim one of Denzin's (2017) four types of triangulation. The study shows some aspects of data triangulation in sourcing data across periods of time, space and people. Triangulation, and therefore validity of the research, could have been improved through the use of a mixed methods approach (Heale & Forbes, 2013).

And finally, this study has been limited by the uneven pace and impact of external pressures across different organisations. Different participants had different levels of exposure to, and understanding of, the different emerging external pressures, investor frameworks, regulatory regimes and public expectations. Different descriptions arising from different levels of experience amongst participants may allow the introduction of bias from the researcher in the interpretation of responses into common themes. This overall maturity of approaches to deal with emergent issues can be considered as a limit on this study.

5.7. Recommendations for Future Research

This exploratory research opens up new perspectives on governance. The potential for further investigation on the matters that this study brings into the corporate governance field is immense. Following the advice of Brutus et al. (2013), this section outlines only immediate and incremental opportunities for theoretical advancement. In this section, I propose five Future Research Questions (FRQ) and methodological variations.

> FRQ1: What do directors perceive as important to consideration of their role in governance sustained value creation?

Future research should repeat this exploratory research to enhance the validity of common findings. Repeating this investigation with a new sample of participants, independent researchers, alternative methods, or a mixed methods approach would address the triangulation limitation in this study. Repeated exploration may identify the same themes and structures, or may determine alternative approaches. Either finding will add to knowledge, and advance towards model development, either shoring up the transferability of this study's findings, or providing insight through exploration of the differences.

> FRQ2: To what extent do directors' perceptions of their role differ when governing for sustained value creation in different organisations and sectors?

Future research should repeat this exploratory research, with the inclusion of an analysis of the differences observed across: (a) the different sectors of commercial organisations; (b) investor organisations; (c) the various different types of public sector organisations; (d) community organisations; and (e) others. The study should be designed to investigate structural factors of limited liability, listed, wholly owned, mutual, association, and various public sector forms of constitution. Increasing understanding of the differences and similarities across different organisations will add to knowledge, and advance towards model development.

> FRQ3: What are the implications for resource dependence theory, and boards' skill diversity arising from the findings of this study?

Future research should investigate whether existing theoretical and practical understanding of the availability of director skills within the board are impacted by the knowledge developed in this study. An investigation of whether expertise in various management disciplines is required to: (a) oversight the implementation of governance for sustained value creation; and (b) the governance of sustained value creation when a fit-for-purpose governance framework has been implemented. Some consideration of the organisational life-cycle and the maturity of relevant governance practices may need to be included in this research.

> FRQ4: What are the implications for studies of the human factors in corporate governance arising from the findings of this study?

Future research should investigate whether existing theoretical and practical understanding of director interaction, deliberation and decision-making within the board are impacted by the knowledge developed in this study. An investigation of whether the information available to directors, and the form in which it is presented (visualisation techniques) impacts the board's cognitive and decision making capacity.

FRQ5: To what extent does governance for sustained value creation correlate with sustained performance?

Future research should investigate whether the governance practices identified in this study demonstrates a causal link to an organisations' sustained performance. The capacity for assessment of the maturity and fit-for-purpose implementation of relevant governance practices may need to be developed to facilitate this research.

Future research as identified above would advance understanding of the causal link between governance and sustained value creation performance in organisations, bringing significant implications for theory and practice. It would suggest further research re-considering the prevailing governance theories from this new perspective, and further research within each of the implicated 'component disciplines' that explored and enhanced their possible role within a unified model.

5.8. **Conclusions**

This thesis is an exploratory step towards enhancing our understanding of corporate governance and its link to sustained value creation.

The research has described director's perceptions of links between thirty identified management and governance practices and sustained value creation. Sustained value creation, both financial and non-financial, is certainly relevant to directors.

The thesis has provided an integrated, multi-disciplinary approach to better understanding corporate governance and sustained value creation. The research is based on director's perceptions of their role in directing sustained value creation. The results of this research advance knowledge towards future development of practical and theoretical models that advance the capacity of boards, organisations and systems to pursue purposely sustained value creation.

5.9. **Afterword**

This thesis was finalised in the midst of the global economic and social shutdown flowing from the COVID-19 pandemic. It is impossible not to reflect on the need for enhanced governance for sustained value creation within, responding to, and in recovery from this global ‘black swan’ event (Aven, 2013; Hajikazemi, Ekambaram, Andersen, & Zidane, 2016).

We are in the midst of witnessing unprecedented necessity-prompted action from organisations to materially remodel their working practices, business models, and service delivery within catastrophically re-ordered market conditions. We are seeing a sudden shift to remote delivery, digital economy and knowledge economy services as every part of organisational behaviour is reconsidered. We are seeing heightened need for directors to oversight complex multi-factor compliance, over ‘every-part-is-a-moving-part’ unknowability, within uncertainty and constant upheaval in strategic settings. And we are seeing the need for immediate decision-making informed by assessments of organisations’ preparedness, capacity to determine various non-financial measures, progress towards closing identified gaps, and continuous re-assessments of future projections. This need is evident across organisation of all descriptions, and across the networks of public and private organisations working together in national economies and societies. Enhanced practice is needed.

This is all well beyond the scope of this humble thesis. However, I hope that this work provides a contribution towards an enhanced understanding of how to enhance governance practice for sustained value creation, and that it may one day help us be better prepared to mitigate, respond to, and recover from humanity’s significant challenges.

APPENDIX A

Materials used in the research

A.1 Participation Information Statement.

A.2 Participation Agreement.

A.3 Initial Interview Protocol.

A.4 Interview Protocol.

A.1 Participation Information Statement.

La Trobe Business School

LA TROBE UNIVERSITY

PARTICIPANT INFORMATION STATEMENT

PROJECT TITLE: INNOVATION AWARE GOVERNANCE

Researchers:

Danny Davis. PhD Candidate, Management. email: danny.davis@vandis.com.au. Mobile 0419 579 002.

Supervisor: Dr Suzanne Young, Associate Professor, Department of Management and Marketing, La Trobe Business School, email: s.h.young@latrobe.edu.au

Co Supervisor: Dr Darren Henry. Associate Professor, Corporate Finance, Head of the Department of Economics and Finance, email: d.henry@latrobe.edu.au

(1) What is this study about?

The study (**exploring the relationship between characteristics of the governance information received by directors, and the business innovation outcomes achieved by their organisations**) is being conducted as PhD research by Danny Davis under the supervision of Dr Suzanne Young, Head of Department of Management and Marketing, La Trobe Business School.

(2) What does the study involve?

The interview will involve a number of questions exploring the characteristics of the governance information Directors and Senior Leadership Team receive, and the business innovation outcomes of their organisation. The interview should take 45-60 minutes.

An audio recording and researcher notes will be created from these interviews. These will be solely available to the researcher for analysis and clarification, and will be destroyed at the completion of the research.

(3) Data use and Access

The results of this study may appear in publications, be included in a thesis or report and/or be presented at conferences. Participants may request a copy of their data collected in the course of the research. Participants will be provided with a summary of the results of the research.

(4) Confidentiality.

All aspects of the study, including data you provide will be de-identified and held confidentially. Only the researchers will have access to the information. You may request a copy of the transcript of your interview at any time. Respondents and their organisations will not be able to be identified in any published reports, unless specific permission has been sought by us and granted by you to provide such details from the interview for illustration or case study purposes.

Consent form – page 1 of 2

(5) **Consent to participate and withdrawal**

Participation in this study is completely voluntary. You are not under any obligation to complete the interview, and you may withdraw from the research at any stage. If you wish to withdraw from this phase, the audio record will be erased and the information provided will not be included in the study. Notification of your wish to withdraw can be lodged up to four weeks following your participation using the form provided.

Signing this form is an indication of your consent to participate in the interview.

(6) **For further information about the study, complaints or concerns...**

Any questions regarding this project may be directed to researcher Danny Davis, danny.davis@vandis.com.au, +61 419 579 002.

If you have any complaints or queries that the researcher has not been able to answer to your satisfaction, you may contact the Senior Human Ethics Officer on (03) 9479 1443, Human Ethics Committee, La Trobe University, Victoria, 3086 or Email: humanethics@latrobe.edu.au. Please quote the application reference number E16-134.

A.2 Participation Agreement.

La Trobe Business School

LA TROBE UNIVERSITY

CONSENT FORM

PROJECT TITLE: INNOVATION AWARE GOVERNANCE

I (the participant) have read (or, where appropriate, have had read to me) and understood the participant information statement and consent form, and any questions I have asked have been answered to my satisfaction. I agree to participate in the project, realising that I may withdraw at any time. I agree that research data provided by me or with my permission during the project may be included in a thesis, presented at conferences and published in journals on the condition that neither my name nor any other identifying information is used.

I understand that this interview will be recorded, and a transcript made for the purposes of the research activity. This will be held confidentially as outlined in the Participant Information Statement.

Tick to Confirm ☐

Name of participant (block letters):

Signature:

Date:

Name of Investigator: DANNY DAVIS

Signature:

Date:

Name of Student Supervisor: DR SUZANNE YOUNG

Consent form – page 1 of 1

A.3 Initial Interview Protocol.

Focus Group Questions

Innovation Aware Governance

LA TROBE UNIVERSITY

Q1. Please describe and discuss:

- your personal view of the external environment in terms of market, global competition and digital disruption?
- your personal view of the Board's role in strategic leadership and fiduciary assurance?
- your personal view of the influence that the quality of information provided to the board has on decision making?
- your personal experience and expectation of the visibility a board should have of the organisation's business improvement actions and capabilities?

Questions 2-7 apply a common question format to subject areas.

To the extent your board/s have formal methods (please describe) or not, how do your boards acquire information to make informed decisions in relation to

Q2. Future market dynamics
Q3. Brand value, brand positioning dynamics, agile strategy
Q4. Product / Service portfolio forecast (product lifecycle)
Q5. Business Improvement project portfolio status
Q6. Technology Governance
Q7. Accountabilities, incentives, organisational capacity for innovation

What are the practical and strategic strengths and weaknesses of your current approach in the context of the environmental conditions described above.

Q8. Please describe and discuss:

- your personal view of the relevance of, and current capacity of the board's ability to determine if the organisation is appropriately invested in its our own future.

A.4 Interview Protocol.

Stage 2 - Framework for Semi Structured Interview Protocol
Innovation Aware Governance

Interviewer Notes:

Explore indicators of a CMM measure for Innovation Aware Governance practices leading to effective innovation performance – in order to know how and why mature practice is achieved.

Seeking outcome (effective usability) measures – in order to target further questions of how those outcomes are achieved using relevant quality practices. Focus exploration and understanding on the areas where good outcomes are being achieved.

These questions refer to the business and innovation portfolio – the complete portfolio of existing lines of business, and small, medium and large investments in improvement projects and initiatives.

A. The Context of My Organisation

1. Does your organisation see itself as being exposed to significant and disruptive change?
2. What is your organisation's approach to sustain expected levels of success in the 3-10 year timeframe?

B. How do you know?

1. How does your Board satisfy itself that your organisation is maximising its pursuit of the opportunity afforded by its brand, reach, capability and the potential of its market?
   (NFP/GOV: achievement of purpose) (R. O. Intangibles)
2. Does your board have mechanisms to measure and consider an 'integrated' view of forecast outcomes (financial, environmental, social, etc) arising from its complete portfolio of business and actions. Describe.
3. What mechanism do you use at Board to consider the potential impact of individual projects or decisions against the progressive learnings of this integrated context?
4. What mechanism do you use to express mid-to-long-term future aspirations, forecasts and achievement to staff, within KPI/Remuneration, to markets/stakeholders? (audit/assurable)
5. How does your Board go about measuring, targeting and proactively designing your organisation's capacity for sustained innovation and value creation?
6. Would you say that your organisation's leadership have quality information sufficient to support quality decision making in the future context?

C. Action / Constraints?

1. In an environment where it is recognised that future income will come from new areas would you say your organisation is optimally invested in its own future?
2. Could your organisation's effective innovation performance be improved? Can you quantify?
3. What is constraining you from acting? (repeat)

****** END OF INTERVIEW FRAMEWORK ******

PhD Stage 2 Interview Notes | Page 1 of 1 | Innovation Aware Governance

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