TOWARDS A MODERATED-TRUST GOVERNANCE THEORY: EXPLAINING THE DIMENSIONAL STRUCTURE OF TRUST AND DISTRUST BETWEEN A BOARD OF DIRECTORS AND A CEO

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ABSTRACT

Trust is a central feature in corporate-governance theory and practice. While trust is advanced as a motivational factor in dominant organisational theories and practices, it is conspicuously absent in corporate-governance literature. At one extreme, scholars discount trust, which leads to theories that characterise the relationship between governance actors as goal-conflicted and as something that potentially exposes organisations to distress. At the other, scholars approach trust as a given and characterise governance actors as locked in mutually beneficial relationships that inspire trust, even if organisational distress also occurs. Neither extreme characterisation has been useful in explaining how governance actors organise themselves to avoid or escape financial distress. Using a multiple-case-study method, underpinned by a critical-realist perspective, this study provides an explicit exploration of trust and its complement—distrust—and explains the complexity of the trust relationship between governance actors such as chief executive officers, board chairmen, and board directors.

This study seeks to demonstrate that distrust, as characterised within agency theory, and trust, as portrayed within stewardship theory, detract from understanding effective board task-performance. Some scholars have relied on proxy variables such as board composition and financial performance to assess board task-performance, but this often leads to weak theoretical explanations. Moreover, this study specifies how optimal levels of trust and distrust could explain effective board task-performance, which scholars have shown partially contributes to financial performance. This study proposes that optimal trust and distrust between governance actors occurs where levels of trust and distrust are simultaneously high. This study develops a theory of moderated-trust governance that is underpinned by generative processes with supporting propositions. Therefore, this study contributes to literature on both trust and corporate governance.

DECLARATION

I, **Morris Mthombeni**, declare that this research proposal, which I hereby submit for the degree **Doctor of Philosophy** at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at this or any other tertiary institution.

SIGNATURE:

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Chapter 1: Introduction

1.1. Chapter outline

In this chapter, I introduce gaps in corporate-governance literature that relate to notions of trust and distrust. In the problem statement, I identify a need to investigate how scholars operationalise mechanisms of trust and distrust in the corporate-governance domain, and I locate this study's primary research question at the intersection of two important corporate-governance theories: agency theory and stewardship theory. I also illustrate the relevance of this study to practitioners and scholars and describe its importance for the development of theory that simultaneously considers trust and distrust within the field of corporate governance. The study's primary research question informed my approach to the study's methods. In turn, the methods enabled me to clarify generative mechanisms that better explain effective board task-performance in the corporate-governance field.

1.2. The research phenomenon

In academic literature about corporate governance, agency-theory scholars largely discount notions of trust in their understandings of governance actors (Cuevas-Rodríguez, Gomez-Mejia, & Wiseman, 2012; Dietz & Den Hartog, 2006; Fama, 1980; Fama & Jensen, 1983a; Jensen & Meckling, 1976). Assumptions that underpin agency theory indicate that distrust, rather than trust, plays a dominant role in the regulation of the intentions, actions, and behaviours of governance actors (Eisenhardt, 1989a). In contrast, stewardship-theory scholars locate trust at the centre of their work (Daily, D. R. Dalton, & Cannella Jr., 2003; D. R. Dalton, Daily, Ellstrand, & Johnson, 1998; J. H. Davis, Schoorman, & Donaldson, 1997b; T. Donaldson, 2012; L. Donaldson & Davis, 1991). Assumptions that underpin stewardship theory suggest that distrust plays a limited role in corporate governance.

Notably, within both agency theory and stewardship theory, trust and distrust are characterised in a binary fashion. This resonates with dominant views in trust literature, which locate trust and distrust on opposite ends of a continuum (Schoorman, Mayer, & Davis, 2007). Such perspectives are also consistent with scholarly trends that offer either under-socialised (agency theory) or over-socialised (stewardship theory) views of humanity, which are inconsistent with a broad range of human actions (Granovetter, 1973; Granovetter, 1985) and real world interactions (Archer, 1995; Bhaskar, 1978).

These depictions of trust and distrust are unrealistic and contribute to simplistic characterisations of organisational risk within the corporate-governance domain (Cuevas-Rodríguez et al., 2012; De Maere, Jorissen, & Uhlaner, 2014). For instance, some scholars have noted that relying on agency theory amplifies the effects of organisational risk within corporate governance (Beccerra & Gupta, 1999; Cuevas-Rodríguez et al., 2012; De Maere et al., 2014). Others have stated that relying on stewardship theory, which overemphasises the role of trust, elides the negative consequences of trust (Skinner, Dietz, & Weibel, 2013). Yet other scholars have found that underemphasising distrust minimises the expected effects of organisational risk (Mayer, Davis, & Schoorman, 1995) and results in negative consequences for organisations.

Scholars within a growing body of literature on the notion of trust have proposed an alternative perspective that posits trust and distrust as separate but complementary constructs (Lewicki, McAllister, & Bies, 1998). This view may present a more realistic characterisation of risk and of humanity within corporate governance. It may also contribute to literature about the complementary characteristics of agency and stewardship theories (L. Donaldson & Davis, 1991; Le Breton-Miller, Miller, & Lester, 2011; Sundaramurthy & Lewis, 2003; Wasserman, 2006).

Simplistic characterisations of organisational risk are also evident in corporate-governance literature about the decisions and actions of directors, which may cause organisational distress (De Maere et al., 2014) or contribute to difficulty in resolving it (Argenti, 1976; Mellahi, 2005). Historically, in their efforts to resolve organisational distress, many directors have relied on charisma or on confidence to sway key organisational stakeholders such as employees, creditors, suppliers, and customers (Pugliese et al., 2009; Roberts, McNulty, & Stiles, 2005). In turn, key organisational stakeholders have assumed that members of management behave as agents with high personal accountability to the collective interests of their stakeholders (Bandura, 2001; McNulty, Florackis, & Ormrod, 2013) as opposed to people who pursue narrow self-interest (Friedman, 2007; Jensen & Meckling, 1976; Lewellyn & Muller-Kahle, 2012). Scholars have long established that levels of confidence between parties engaged in an economic exchange are influenced by levels of trust (Deutsch, 1962; Gulati & Nickerson, 2008). These scholars have also expected that more explicit and realistic engagement with trust and distrust in corporate-governance domains would lead to more balanced characterisations of risk.

Some scholars have indicated that levels of distrust increase during periods of organisational distress (Kramer, 1999; Mishra, 1996; Pirson, Martin, & Parmar, 2017). These scholars have found that trust and distrust between economic agents may be related to cooperative behaviour, which in turn may influence the types of tasks economic agents perform and how they perform them (Stevens, Cushman, & Hauser, 2005). Scholars have noted that this ultimately influences the financial performance of economic agents' collective endeavours (Capon, Farley, & Hoenig, 1990; Neal & Hesketh, 2001). Regarding financially distressed businesses, some scholars have responded to disciplinary calls to question the attribution of failed corporate governance solely to organisational distress and have suggested that trust and distrust play an equal role in facilitating effective board task-performance (Aguilera, Goyer, & De Castro, 2014; D. A. Carter, Souza, Simkins, & Simpson, 2010; McNulty et al., 2013; Mellahi, 2005; Pugliese et al., 2009). In doing so, these scholars extend academic knowledge about the realistic operation of trust and distrust mechanisms in the corporate-governance domain.

1.3.   The problem statement

The main problem investigated in this study concerns how the unrealistic characterisation of mechanisms of trust and distrust operates among members of boards of directors and between directors and members of management at financial services firms during periods of organisational distress. In the context of distressed organisations, I focus on specifying how and why mechanisms of trust and distrust operate in the corporate-governance domain and whether they influence the survival or demise of distressed organisations. One of my central goals is to recast mechanisms of trust and distrust within the corporate-governance domain in more realistic terms through specifying how they operate in everyday life within financial services firms. In general, I do not seek "to uncover general laws, but to understand and explain the underlying mechanisms" (Bygstag & Munkvold, 2011, p. 3) that influence trust and distrust among governance actors in distressed organisations.

Neglect of the notions of trust and distrust within corporate-governance literature presents a problem relevant to practitioners (Bednar, 2012; CCP Research Foundation, 2014; Edelman & Boyd, 2015), policymakers (Aguilera & Cuervo-Cazurra, 2014; Andreasson, 2011; Diamond & Price, 2012), and academics (B. M. Bass & Bass, 2008; Crane, 2018; Dirks & Ferrin, 2002; Kong, Dirks, & Ferrin, 2014; Nadler, 2008) who are interested in understanding

realistic, relational mechanisms (Easton, 2010) that affect trust and distrust among governance actors in distressed organisations. This gap in literature on trust and distrust contrasts with agency and stewardship theory explanations offered by other scholars, which are based on mental models informed largely by belief in neoclassical economics (Cuevas-Rodríguez et al., 2012; Ghoshal, 2005; Krugman, 2009; Prado-Lorenzo & Garcia-Sanchez, 2010). In this study, I seek to address this scholarly neglect by explicitly describing and explaining the dynamic interaction of levels of trust and distrust (Fulmer & Gelfand, 2012) among governance actors instead of treating such levels as a theoretical constant.

While traditional conceptualisations of trust and distrust within corporate-governance literature (Schoorman et al., 2007) have been based on empirical experiences and observations, they have been limited by description (Ackroyd, 2010; Blom & Moren, 2011). Such conceptualisations have influenced dominant theories that often discount trust or distrust (Beccerra & Gupta, 1999; Bijlsma-Frankema & Costa, 2005; Hernandez, 2012) and fail to acknowledge the generative value of such constructs. In contrast, I elucidate the generative processes of trust and distrust and position them as separate constructs (Lewicki et al., 1998) with both positive and negative consequences (Lewicki, Tomlinson, & Gillespie, 2006; Roberts et al., 2005).

While the positive dimensions of trust are well established in the field (Beccerra & Gupta, 1999), the negative dimensions of trust are underexplored (Gargiulo & Ertug, 2006). Likewise, the negative dimensions of distrust are well established (Westphal & Zajac, 1995, 2013), but the positive aspects of distrust remain obscured (Roberts et al., 2005). In this study, I seek to move beyond the positivity bias of most trust research and the negativity bias of much literature on distrust (Gargiulo & Ertug, 2006). Informed by emergent literature on trust and distrust as complex constructs, I expose the negative aspects of trust (McAllister, 1995) and incorporate positive dimensions of distrust to better understand realistic corporate-work environments (Connelly, Toyah, & Devers, 2012). In doing so, I seek to "specify a generative process" (Ackroyd, 2010, p. 63) that causally explain effective board task-performance. Drawing on the findings of this study, I support broader theoretical and practical suggestions that notions of trust and distrust should be accorded equal weight within corporate-governance literature.

1.4. The relevance of literature on trust and on distrust

1.4.1. *Practitioner relevance*

According to the Edelman Trust Barometer, overall trust levels in organisations around the world were lower in 2015 than in the prior year (Edelman & Boyd, 2015). A review of the 2018 Global Edelman Trust Barometer revealed that perceptions of trust in institutions have decreased significantly since 2015 (Reis, Bersoff, Adkins, Armstrong, & Bruening, 2018). The review contended that the prospects for stakeholders having trust in organisations are dire and have shifted from being undermined by inequality in 2016 and a general sense of crisis in 2017 to being buffeted by a "battle for the truth" in 2018 (Reis et al., 2018). At an aggregate level, this mirrors a four-decade decline in the levels of trust that broader social sectors have expressed for corporate organisations (B. M. Bass & Bass, 2008; Crane, 2018).

Some scholars attribute this consistent decline in institutional trust levels (Maguire & Phillips, 2008; Pirson & Malhotra, 2011; Pirson et al., 2017) partly to corporate-governance failures (e.g., business scandals or stock and accounting fraud) epitomised by companies such as Enron, Parmalat, WorldCom, and Volkswagen (Choo & Tan, 2007; Griffin, 2015; Mellahi, 2005; Raelin & Bondy, 2013; Tihanyi, Graffin, & George, 2015). The persistent and accelerating loss of trust in organisations exhibited by broader society has contributed to uncertainty (Rousseau, Sitkin, Burt, & Camerer, 1998), increased transaction costs (Williamson, 1993; Zak & Knack, 2001), high governance costs (Larcker & Tayan, 2013), and even business failure within corporations (Gillespie & Dietz, 2009; Tihanyi et al., 2015).

In situations of financial distress, corporate structures dictate that governance actors should act decisively to adapt organisation operations and to avoid failure (Fortune & Mitchell, 2012). Taking the perspective of the organisation as a unit of analysis, some scholars have argued that an organisation's ability to adapt to uncertainty caused by internal losses of trust is largely a function of its top leaders' behaviour and practices (Gillespie & Dietz, 2009; Lewellyn & Muller-Kahle, 2012; Mishra, 1996). If scholars accept that trust within and among organisations is positively associated with cooperative behaviour (Rousseau et al., 1998) and that it enhances exchange performance (Dietz & Den Hartog, 2006; Gulati & Nickerson, 2008), it follows that such trust should be explicitly investigated. In doing so, scholars could

establish how trust influences the behaviour of people located in positions of power within organisations and could interrogate organisations' adaptive abilities in times of distress.

1.4.2. *Scholarly relevance*

The integration of literature on trust and distrust within corporate governance has led scholars to engage with agency theory (Beccerra & Gupta, 1999). Scholars have repeatedly noted that agency theory dominates corporate-governance theory and practice (Kim, Morse, & Zingales, 2006). Within the field, scholars have largely based agency theory on assumption that self-interest and utility maximisation are primary motivators of agentic behaviour (Sharpe, 2008). However, some have attempted to explore additional agentic motivators within corporate governance, such as attempts to provide additional resources (Hillman & Dalziel, 2003), diverse experience (Forbes & Milliken, 1999), and strategic advice to benefit the firm (Minichilli, Zattoni, Nielsen, & Huse, 2012). Other scholars have developed entirely different theories, such as stewardship theory, to explain the different motivations behind people's actions (J. H. Davis et al., 1997b).

Typically, research on important organisational constructs such as job satisfaction (Donovan, 2009), job performance (Boonzaier, Ficker, & Rust, 2001), organisational commitment (Chun, Shin, Choi, & Kim, 2011), self-esteem (Ferris, Lian, Brown, & Morrison, 2014), organisational citizenship behaviour (Yakovleva, Reilly, & Werko, 2010), conflict (Korsgaard, Brodt, & Whitener, 2002), motivation (Viswesvaran, 2009), and self-efficacy (Bandura, 2000; Schaubroeck, Lam, & Peng, 2011) has been conducted in the context of organisations scholars consider healthy rather than distressed. When scholars have studied similar constructs in contexts of organisational distress, these studies have tended to be historical assessments of failed or bankrupt organisations (De Maere et al., 2014; H. Platt & Platt, 2012). Studies of the same constructs in institutional contexts of ongoing distress— or prior to actual business failure—have been less common (Mellahi, 2005).

Most research on trust within the corporate-governance domain has focussed on the influence of trust on interpersonal relations, team cohesion, organisational commitment, and leader-member exchange within institutional contexts scholars characterise as *business as usual* (Bachmann & Zaheer, 2006; Dirks & Ferrin, 2002; Schoorman et al., 2007). Under such a presumption, scholars take the perpetual survival of organisations as a given. Conversely, most research on distrust has been undertaken within contexts of failing

organisations or of those with trust violations (Mishra, 1996; Sitkin & Roth, 1993). Within these contexts, prospects for business resuscitation are limited (Gillespie & Dietz, 2009; Skinner et al., 2013).

In this study, I seek to investigate the constructs of trust and distrust within an institutional context I consider *business unusual*—a context prior to business failure. I suggest this type of context provides more productive opportunities to illuminate realistic differences between levels of organisational trust and distrust than is offered in business contexts considered healthy or failed. I focus on social perceptions of corporate organisations, which is an under-researched area within the field. I draw on prior research that has established that broader society's levels of organisational trust and distrust are negatively influenced by progressive financial stress within organisations (Crane, 2018; Fulmer & Gelfand, 2012; Pirson et al., 2017). Because academics appear to agree about declines in trust (B. M. Bass & Bass, 2008; Crane, 2018; Dirks & Ferrin, 2002; Kong et al., 2014) and increases in distrust (Kramer, 1999; Lewicki et al., 1998; Mishra, 1996) among social actors in organisations, I attempt to develop a theory of moderated-trust governance—one predicated on incorporating positive aspects of distrust and excluding negative aspects of trust into efforts to reconceptualise trust and distrust in the corporate-governance domain.

1.4.3. *Relevance for theory development*

In this study, I draw on other scholars' insights about and criticisms of influential agency theory, stewardship theory, and stakeholder theory to abductively (Bhaskar, 1978; Easton, 2010) develop a theory of moderated trust for the corporate-governance domain. Whereas deductive and inductive theorising are based on logical inferences, abductive theorising is based on "formalized inferences" (Danermark, Ekstrom, Karlsom, & Bashkar, 2001, p. 89) that result in plausible interpretations, in terms of which theory development relies on moving "from a conception of something [a single-dimensional and simplistic characterisation of trust and distrust] to a deeper conception of it [a multiple and complex characterisation of trust and distrust]" (Danermark et al., 2001, p. 91). Some scholars have suggested a need to develop a moderated-trust governance theory in order to specify, quantify, and explain relationships between trust, distrust, and the effective performance of corporate-governance tasks (Balcaen & Ooghe, 2006; Collier, 1994; Fulmer & Gelfand, 2012; Laitinen, 2011).

My goal to develop a theory of moderate trust governance that is applicable to distressed organisations was influenced by five literature-derived insights. First, scholars have noted that organisational failures contribute to declines in society's overall trust in organisations (Mellahi, 2005). Second, other scholars have indicated that declines in trust between organisations and society could exacerbate future financial distress within organisation (Crane, 2018; Pirson et al., 2017). Third, leaders in the field have stated that trust and distrust are mechanisms that explain the behaviour and actions of individuals in economic exchanges, as well as those of corporate-governance actors in general (Fulmer & Gelfand, 2012) and in times of financial distress. Within historical efforts to explain the behaviour of governance actors in corporate-governance literature, scholars have taken trust (Jensen & Meckling, 1976) and distrust (J. H. Davis et al., 1997b) as givens instead of constructs to be interrogated (Beccerra & Gupta, 1999). As a result, ideas about the mechanisms of trust and distrust remain underdeveloped within the discipline literature.

Fourth, scholars within trust literature have distinguished between specific types of trust such as relational- and contract-based trust and have theorised that relational-based trust is a better predictor of individual, team, and organisational behaviour and action (Minichilli et al., 2012). Fifth, despite some scholars' theories about the superiority of relational trust, dominant trends in corporate-governance theory and practice continue to privilege contract-based mechanisms for understanding trust. The implications of these insights support a view widely held by psychology and economic scholars: Relational- and contract-based trust are mutually exclusive, and trust and distrust reside at opposite ends of the same continuum (Schoorman et al., 2007).

In this study, I deviate from dominant perspectives and instead align with literature advanced by multi-disciplinary trust scholars in the domain of law (Deakin, 2006; Bukspan, 2006; Sheppard & Sherman, 1998), as well as in social psychology and sociology (Gargiulo & Ertug, 2006; Kramer, 1999; Lewicki et al., 1998; Mishra, 1996). Scholars within multi-disciplinary trust literature suggest that relational- and contract-based trust are complementary and thus mutually inclusive. I also align with scholars who argue that trust and distrust are separate constructs (e.g., Lewicki et al., 1998). Scholarship from the field of neuroscience supports this view (Dimoka, 2010). Building on such insights from multi-disciplinary scholarship, I argue that relational- and contract-based trust are hierarchically equivalent within the corporate domain.

1.5. Research questions

In this study, I investigate the roles of trust and distrust (Fulmer & Gelfand, 2012; Lewicki et al., 1998) in generating mechanisms that explain board task-performance, which has been related to firm performance (Capon et al., 1990; Neal & Hesketh, 2001). The primary research focussed on the following questions.

1.5.1. *Primary research question*

How do trust and distrust interact to create generative mechanisms for effective board task-performance in contexts of organisational distress?

The process of answering the primary research question was informed by a range of scholarly literature. This primary question generated a range of supplementary questions, which are listed below. For the first supplementary question, the study relied on the view that trust and distrust are separate and complementary constructs (Lewicki et al., 1998). The constructs of trust and distrust were arrived at by considering a variety of factors like their respective antecedents (Fulmer & Gelfand, 2012), and the implications of the concept of need for certainty as articulated in the trust literature (Acar-Burkay, Fennis, & Warlop, 2014). Each question is built on foundational constructs within literature on trust and corporate governance. For instance, the definition of corporate governance advanced by Baysinger and Hoskisson (1990) is an "integrated set of internal and external controls that harmonize manager-shareholder (agency) conflicts of interest resulting from separation of ownership and control" (p. 72). To define board task-performance, I relied on literature from corporate governance (Geletkanycz & Sanders, 2012; Huse, 2007a; Machold & Farquhar, 2013; Pugliese, Minichilli, & Zattoni, 2014), management studies (Capon et al., 1990), and productivity studies (Neal & Hesketh, 2001). It should, therefore, be clear that the first supplementary question was concerned in investigating the mechanisms of trust and distrust viewed from the perspective goal conflicted management and shareholders. Put together, the first supplementary question was concerned with the integration of trust and distrust within a context that assumes trust away (Jensen & Meckling, 1976).

1.5.2. *Supplementary Research Question 1*

How do levels of low trust and high distrust among directors of distressed organisations influence their board task-performance?

With this question, I investigate the mechanisms behind trust and distrust from the perspectives of goal-conflicted members of management and of shareholders. It concerns the integration of trust and distrust within contexts of low trust. As indicate earlier, not all corporate governance actors operate within low trust and high distrust relational perspective. The inverse relational perspective of high trust and low distrust (J. H. Davis et al., 1997b) formed the basis of the second supplementary question. However, this was supplemented by the concept of broken trust (Choo & Tan, 2007) to capture the context of organisational distress.

1.5.3. *Supplementary Research Question 2*

How do levels of high trust and low distrust among directors of distressed organisations influence their board task-performance?

Together, these first two questions present a dichotomous view of reality characterised by either goal conflict or by goal alignment. The third questions sought to investigate the role of trust and distrust in a more real conceptualisation of corporate governance that incorporates both goal conflict and alignment by characterised by multiple stakeholders (Demb & Neubauer, 1992; Freeman & Philips, 2002) in different contexts to capture different phases of a business, a temporality dimension. Accordingly, the third question contemplates a scenario with multiple levels of trust and distrust interacting to influence the relationship among governance actors.

1.5.4.   *Supplementary Research Question 3*

How do multiple levels of trust and distrust among directors of distressed organisations influence their board task-performance?

With this question, I seek to investigate the role of trust and distrust in a more realistic way that incorporates both goal conflict and goal alignment among multiple stakeholders in different contexts (Demb & Neubauer, 1992; Freeman & Philips, 2002). I seek to capture different temporal phases of a business and to address scenarios with multiple, interactive levels of trust and distrust, which may influence relationships among governance actors.

The question also addresses literature distinguishes between sources of trust (i.e., the trustor) and objects of trust (i.e., the trusted) (Janiwicz & Noorderhaven, 2006; McEvily, Weber, Bicchieri, & Ho, 2006). With it, I seek to address trust between individuals (i.e., interpersonal trust). From this perspective, individuals may be both sources and objects of trust. The question also contributes to understandings of trust at multiple levels, including micro- (e.g., individual), meso- (e.g., team), and macro- (e.g., organisation) levels. Taken together, the question integrated micro-meso-macro levels of trust (Fulmer & Gelfand, 2012) to contribute to the improvement of the knowledge of meso level trust. Within corporate governance, the fourth question was informed by scholars that introduced trust to the principal-agent relationship (Cuevas-Rodríguez et al., 2012). In so doing, sought to investigate the context of high trust and high distrust within teams.

1.5.5.   *Supplementary Research Question 4*

How do levels of high trust and high distrust among directors of distressed organisations influence their board task-performance?

I formed this question using insights from scholars who have introduced trust to the principal-agent relationship (Cuevas-Rodríguez et al., 2012). Literature on trust levels has shown that intra-organisational trust (macro-level trust) is attendant, as opposed to antecedent, to team trust (meso-level trust) (Fulmer & Gelfand, 2012). For instance, governance actors with reputations for pursuing credible and judicious strategies are more likely to persuade primary financiers of organisations to support their turnaround strategies. While explicit research focus at a micro-level may build a deep understanding of trust at a single level of

analysis, I advocate a simultaneous focus on meso- and macro-levels of trust to underscore the breadth and versatility of the trust construct at multiple level of analysis. Unlike much of the literature on trust, which considers micro-, meso-, and macro-dimensions of trust separately, I suggest that each level has an important but distinct purpose within business and thus should be investigated in tandem.

1.5.6. *Supplementary Research Question 5*

How does the concept of a need for certainty influence how board members of distressed organisations perform their tasks?

Although I investigated trust from multiple levels, I focussed on the meso-level (team or group trust) because board work is inherently teamwork. Teams are comprised of individuals with different psychological characteristics. A primary psychological characteristic interrogated in this study is the need for closure (NFC) (Acar-Burkay et al., 2014). Need for closure, "which refers to a chronic or temporary tendency to avoid or to feel the need to resolve uncertainty and ambiguity" (Acar-Burkay et al., 2014, p. 719), and is associated with levels of certainty required by individuals; some have a high need for closure, and others have a low need.

Individuals with a high need for closure require more certainty; those with a low need can live with more ambiguity. The relevance of the concept of need for closure for scholars within disciplinary literature was informed by their expectation of the certainty-ambiguity continuum to influence people's selection and performance of tasks, especially those performed by teams such as boards of directors (Johansen & Pettersson, 2013; Lynall, Golden, & Hillman, 2003; Westphal & Zajac, 1995; Withers, Hillman, & Cannella, 2012). This expectation underscored my motivation for asking the project's fifth supplemental question.

Overall, I considered these supplementary research questions preliminary and subject to change through further literature review or through empirical results (Eisenhardt, 1989b). However, they provided the structure necessary for me to begin the literature review process and to arrive at realistic solutions for the primary research question. My data analysis was informed by a critical-realist data-analysis framework (Bygstag & Munkvold, 2011), which I discuss in Chapter 4.

1.6.   The research methodology

This project presented an opportunity to explore the black-box aspects of corporate governance (Huse, 2005; Leblanc & Schwartz, 2007; Roberts et al., 2005) in contexts of organisational distress. This required me to develop strategies to access respondents (Leblanc & Schwartz, 2007; Lewellyn & Muller-Kahle, 2012) in difficult contexts. The difficult context was selected to illuminate the operation of the complex mechanism of trust and distrust that are often presented in a simplistic bipolar manner (Schoorman et al., 2007). I discuss these strategies in detail and choices made in this regard are discussed in Chapter 4.

Given this project's objective to specify the generative mechanisms that explain how board members are able to perform their tasks in an effective manner, I selected a multiple-case-study research method (Ackroyd, 2010), which is informed by an ontology of transcendental realism, and an epistemology of interpretivism, and in the approach of critical realism (Easton, 2010; Tsang & Kwan, 1999). I based this decision to rely on the tenets of critical realism, on standard difficulties with accessing corporate-governance respondents, and on additional difficulties with accessing such respondents in contexts of organisational distress (Ackroyd, 2010). Unlike most critical-realist studies (Danermark et al., 2001; Easton, 2010), I adopted a multiple-case-study research design informed by realist data collection and interpretivist analytical methods (Blom & Moren, 2011).

1.7.   Importance of study

Trust, distrust, and corporate-governance actors are variously defined in trust and corporate-governance literature. Trust has been defined as "the willingness to accept vulnerability based on positive expectations about another's intention or behaviours" (McEvily, Perrone, & Zaheer, 2003, p. 91). Distrust has been defined "in terms of confident negative expectations regarding another's conduct" (Lewicki, McAllister, & Bies, 1998, p. 439). The term *corporate-governance actors* refers to the directors of corporate organisations and forms "the most central internal governance mechanism" (Daily, D. R. Dalton, & Cannella Jr., 2003, p. 372). Such actors include executive and non-executive actors (Masulis & Mobbs, 2011) and the chief executive officer (CEO) (Lewellyn & Muller-Kahle, 2012; Maitlis,

2004), who may or may not be the chairman (A. P. Kakabadse, Kakabadse, & Barratt, 2006) of the particular organisation.

Studies of board composition and firm performance have dominated corporate-governance literature (D. R. Dalton et al., 1998; Hillman & Dalziel, 2003; McIntyre, Murphy, & Mitchell, 2007; Premuroso & Bhattacharya, 2007). These studies have produced mixed results because board composition and firm performance are distal variables (Bhagat & Black, 2014; Bhagat, Bolton, & Romano, 2010; Shleifer & Vishny, 1997). Some scholars have proposed research that focusses on internal board processes in order to identify variables that are more proximal and that achieve more consistent explanations (Hernandez, 2012; Huse, 2007; Roberts et al., 2005) of board task-performance. In this study, I follow the latter trend.

My interests in process studies and in building theory within corporate-governance literature motivated this project (Bansal, 2013; Huse, 2007). I suggest that illuminating relationships between proximal variables such as trust, distrust, and task performance may provide better explanations of corporate-governance activity than prior efforts in the field. I also seek to contribute to the development of a more realistic corporate-governance theory that elucidates the generative mechanisms of trust and distrust related to avoiding or surviving organisational distress. I suggest that the conceptual confusion within trust literature about the relationships between trust and distrust must be resolved to facilitate the discovery and use of appropriate generative processes.

In addition, when corporate-governance scholars (Huse, 2007; Larcker & Tayan, 2013; Roberts, 2001) engage with the notions of trust and distrust, they often position the two at opposite ends of a continuum (Schoorman, Mayer, & Davis, 2007). In contrast, I take trust and distrust to be separate but complementary constructs and argue that revising disciplinary understandings of trust and distrust in this way may benefit practitioners and academics through encouraging scholarly consideration of relational-based corporate-governance mechanisms alongside the regnant contract-based governance approach (Beccerra & Gupta, 1999).

Some scholars have described trust as a psychological state of individuals, dyads, or organisations (Rousseau et al., 1998). Scholars have suggested that trust, at an individual level, is about "having certainty about how another person will act" (Larcker & Tayan, 2013,

p. 1). At a group level, other scholars have described trust as a belief by members of a group about the willingness of that group to be vulnerable to another (Serva, Fuller, & Mayer, 2005). At an organisational level, scholars have characterised trust as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (Mayer, Davis, & Schoorman, 1995, p. 712). Interdependence, uncertainty, risk-taking, and vulnerability are the golden threads of trust characteristics at each level of consideration.

While scholars have described many types of trust, within the context of corporate governance, some of the most relevant are relational- and contract-based trust (Dietz & Den Hartog, 2006; Williamson, 1993). Contract-based trust, which is informed by the certainty provided by legal contracts (McKnight, Cummings, & Chervany, 1998), underpins much of the corporate-governance literature built on agency theory (Eisenhardt, 1989a; Fama & Jensen, 1983a; Jensen & Meckling, 1976). In contrast, relational-based trust, which is grounded on interpersonal trust (McAllister, 1997) undergirds most stewardship theory (J. H. Davis et al., 1997b) and is used to explain the behaviour and motivation of corporate-governance actors. Research studies that illuminate the generative characteristics of the trust mechanism within the corporate-governance domain benefit from integrating psychological (e.g., Colquitt & Rodell, 2011), social psychological (e.g., Lewicki et al., 1998), economic (e.g., James, 2014), legal (e.g., Deakin, 2006) and sociological (e.g., Bachmann, 2011) literature on trust.

Unlike trust, the distrust construct receives little attention from scholars (Dimoka, 2010). While literature on distrust is still emerging, some scholars agree that distrust is "the absence of faith in other people" (Ross, Mirowsky, & Pribesh, 2001, p. 568). Building from this definition, Schoorman et al. (2007) refer to Luhman (1979), who suggested that distrust functionally equals a lack of trust. Lewicki et al. (1998) introduced the alternate view that trust and distrust are separate constructs and defined distrust "in terms of negative expectations regarding another's conduct" (p. 439). While Ross et al. (2001) focus on the absence of faith, Lewicki et al. (1998) focus on negative expectations. These definitions appear similar but are quite different. The definition of distrust advanced by Ross et al. (2001) and Schoorman et al. (2007) elides trust and characterises distrust in a completely negative way. This characterisation of distrust underpins the trust-distrust continuum school

of thought. However, the definition advanced by Lewicki et al. (1998) acknowledges that while a distrusted party may be considered a good person in general, there are circumstances in which such a party may behave in a negative manner. In this way, Lewicki et al. (1998) advance a complex and dynamic view of people: A person can be trusted and distrusted simultaneously. The definition by Lewicki et al. (1998) underpins the school of thought that posits trust and distrust as separate constructs. Even though this study did not focus on definitional issues, I support the view that trust and distrust are separate constructs and contribute to scholarship that seeks to bridge the debate between the two schools of thought. I focus on establishing conceptual clarity about trust and distrust as a way to facilitate their usefulness as constructs within the corporate-governance domain.

1.7.1. *Relational- and contract-based trust*

Much of corporate-governance literature is concerned with proxy agency (Bandura, 2001) and focusses on contractual relationships within and between organisations (Eisenhardt, 1989a; Fama & Jensen, 1983a; Gindis, 2013; Jensen & Meckling, 1976). Trust scholars assume relational-based trust is better than contract-based trust because it is impossible to contract for every eventuality (Burke, Sims, Lazzara, & Salas, 2007; Rousseau et al., 1998). Because of this, opportunities exist to uncover corporate-governance mechanisms that better align with stakeholder interests and that may benefit from improved understanding of personal and collective agency (Bandura, 2001).

1.7.2. *Integrating contractual and personal agency*

There is little consensus in corporate-governance literature about whether contracts enhance or diminish trust. Economics scholars argue that the only reliable form of trust in an economic exchange relationship is underpinned by properly considered contractual arrangements (Williamson, 1993). Management scholars suggest that highly regulated arrangements discourage the development of trust (Gulati & Nickerson, 2008; Larcker & Tayan, 2013; Rousseau et al., 1998). This study builds on inter-organisational scholarship. I note that while notions of contractual agency in corporate-governance literature discount trust, understandings of personal agency invoke it (Puranam & Vanneste, 2009). I seek to integrate contractual and personal agency literature through the idea that extant contract-based governance arrangements can be complemented by a commensurate focus on relational-based governance mechanisms such as trust and distrust.

If scholars accept that trust is essential for business success, it seems that any efforts to facilitate trust, especially among governance actors, should be encouraged. To this end, I suggest there should be less disciplinary focus on the idea that formal corporate-governance regulation of organisations is a sufficient condition for developing relational trust within the upper echelons of organisations and between organisations and society at large (Larcker & Tayan, 2013). However, I note that calls to consider relational-based governance mechanisms alongside contract-based ones go against current institutional corporate-governance logics, which are built primarily on a contract-based foundation.

1.7.3. *Equal focus on relational governance*

Empirical evidence may need to precede policy-makers' and practitioners' considerations to reduce reliance on contract-based governance of organisations. Such evidence could include material behavioural changes towards a culture of ethical business practices underpinned by the trusting behaviours of those located in the upper echelons of business. Evidence of such a culture change would require opening the proverbial black box of board teamwork and board task-performance (Capon et al., 1990; Charan, 2005; Charan, Carey, & Useem, 2013) to enable scholars to describe mechanisms that explain the operational logics of corporate governance (Huse, 2005; McNulty, Roberts, & Stiles, 2005). Opening this type of black box may enable corporate-governance policy-makers to begin emphasising relational-based governance aspects alongside contract-based governance institutions.

Some agency theorists' calls for scholars to develop additional theories that explain the behaviour of governance actors have been motivated by persistent business scandals, abuses of executive compensation in developed market-listed companies (Fama, 2011; Jensen & Murphy, 1990), cronyism within the boards of developing countries (Chizema, Liu, Lu, & Gao, 2015), and universal perceptions around the failure of boards of directors to control and monitor executives (Charan et al., 2013; Jensen & Murphy, 1990: Monks & Minow, 2012). Such calls for insight into the behaviour of governance actors are intended to contribute to rebuilding trust within businesses and between business and society.

Other scholars forcefully suggest that cultural changes within the upper echelons of organisations should be preceded by a shift away from blind belief in the rationality of economic actors (Kahneman, Wakker, & Sarin, 1997; Krugman, 2009). I argue that

corporate-governance literature would benefit from a similar shift away from blind belief in the rationality of governance actors (Shleifer & Vishny, 1997). I posit that such a change would lead to the development of trust-building behaviours by those in the upper echelons of organisations; in the absence of the assumption of rational behaviour, trust practices become important coordinating mechanisms.

1.8.   Scope of the research

Scholars in governance literature distinguish between trust and distrust and differentiate between the mechanisms behind these constructs. While I have referred to both trust and distrust, I describe the operation of distrust in order to illuminate the operations and dimensional structures of trust and distrust within corporate governance. Scholars in trust literature distinguish between interpersonal, group-based, inter-organisational, intra-organisational, national, and multi-national levels of trust. In this study, I intentionally focus on the space between interpersonal trust and team-based trust within organisational contexts. However, I do not explore, describe, or explain the operation of intra-organisational, national, multi-national, and extra-organisational trust. As a result, and despite their importance, I do not explicitly explore the effects of cultural differences between companies or across nations (Gunia, Brett, Nandkeolyar, & Kamdar, 2011).

I use critical realism as an interpretive framework to generate understandings of the mechanisms behind effective board task-performance, which are in turn informed by the processes underpinning trust and distrust within the corporate-governance domain. Such mechanisms and processed are characterised by unique power dynamics between members of boards of directors and upper-level management teams. Historically, scholars within corporate-governance literature have privileged considerations of power dynamics between shareholders and members of management. While I acknowledge this body of literature (Aguilera & Jackson, 2010; Berle Jr., 1931; Lewellyn & Muller-Kahle, 2012; Mizruchi, 2004; Westphal & Zajac, 1995), I consider the interrogation of such power dynamics to be beyond the scope of this study. Therefore, this study does not contribute to literature on power dynamics between shareholders, boards of directors, and members of management. However, I do incorporate the construct of power through my use of the critical-realism framework for interpretation.

1.9. Purpose and intended contributions of the research

In a review of stakeholder theory, Dietz and Den Hartog (2006) suggest that organisation stakeholders with a low stakeholder orientation will have lower trust in particular organisations. Other scholars of stakeholder theory have inferred that low stakeholder engagement equals the notion of low-trust assumption within agency theory and that high stakeholder engagement may be a proxy for stewardship theory (Freeman, Wicks, & Parmar, 2004; Schnackenberg & Tomlinson, 2014). Therefore, scholars of stakeholder theory suggest a need to incorporate trust and distrust within the corporate-governance domain.

From my review of literature on agency theory, stewardship theory, and stakeholder theory, I have identified a gap in integrated research on different levels of trust and distrust between governance parties (Beccerra & Gupta, 1999; Connelly et al., 2012). My research was also influenced by the under-investigation of levels of trust and distrust within the corporate-governance domain. With this study, I address these twin gaps and build a better understanding of the levels of trust and distrust in distressed organisations.

Three important deliverables from this study are noteworthy. First, it produces a more fully specified understanding of the generative mechanisms of trust and distrust that contribute to effective board task-performance. Second, it produces a conceptual framework that illustrates how relational- and institution-based distrust interact to cause effective board task-performance. Third, using the conceptual framework, it enables the development of a moderated-trust governance theory within the corporate-governance domain. In doing so, it produces an explanatory theory of corporate governance that is grounded in the realities of organisational distress and that accommodates simultaneous considerations of relational- and contract-based mechanisms of corporate governance.

1.10. Underlying assumptions

The major assumption underpinning this study is that efforts to encourage relational-based trust governance mechanisms should yield better results than the extant, ubiquitous governance framework within agency theory that privileges contract-based governance. I expand on opinions in the discipline that trust and distrust need to be explicitly described and to take into account the unique power dynamics between and resultant motivations of

governance actors. I demonstrate that different levels of trust and distrust are associated with different board task-performance outcomes, which range from negative to positive. I suggest that some trust scholars' attempts to frame relational-based trust as superior to contract-based trust have important implications within corporate-governance literature. These include a moderating relationship to board task-performance, which in turn may influence the financial performance of organisations and have consequential effects on institutional trust.

1.11. Conclusion

Scholars have described trust as a fundamental collaborative mechanism within business and within the broader economy (Bachmann, 2001; McEvily et al., 2003b; Möllering, 2005). In addition, scholars have argued that distrust is either a substitute for (Schoorman et al., 2007) or complement of (Lewicki et al., 1998) trust. Literature on trust and distrust appears to have evolved with limited impact on corporate-governance literature. Specifically, some corporate-governance theories build on a low-trust presumption, and others build on a high-trust presumption. Within corporate-governance literature, there appears to be a gap in understanding dimensions of moderated trust, which are triggered at the intersection of trust and distrust. To address this gap, I engage trust and distrust explicitly through received theories that drive corporate-governance scholarship and practice. I primarily describe and explain the influence of different levels of trust and distrust on the task-performance efficacy of governance actors. I also describe and explain how the proposed dimensional structure of trust within contexts of organisational distress is likely to exaggerate the effects of different levels of trust and distrust. My key objective is to contribute to the development of a theory of moderated trust in the corporate-governance domain.

In this study, I respond to calls by leading corporate-governance scholars for the development of alternative corporate-governance theories. I do so by describing the multi-dimensional characteristics of trust and distrust mechanisms and their contributions to the development of trust-building practices that facilitate effective governance of organisations. I locate the study of trust and distrust among actors in the upper echelons of business and in contexts of organisational distress. I seek to elucidate the relationships between trust, governance actors, and abilities to reverse organisational distress. I suggest that, armed with a better understanding of trust mechanisms enhanced by the positive dimensions of

distrust mechanisms, top leaders of organisations will be better equipped to improve relational dynamics in the boardroom for the benefit of affected organisations and ultimately of society in general.

1.12.   Outline of dissertation

In this chapter, I have focussed on providing a rationale for conducting this study on trust and distrust within the corporate-governance domain. I have identified theoretical gaps and have articulated research questions that illuminate these gaps in theory. I have indicated that the purpose of this study is to develop a theory of moderated-trust governance that is grounded in data obtained from multiple case studies informed by a critical-realist approach. Below, I outline the subsequent chapters in this study.

In Chapter 2, I present a review of relevant literature. First, I review literature on business distress to establish the appropriateness of organisational distress as an institutional context for the investigation of this project's research questions. Second, I review literature on trust and distrust to identify nodal points for three main research streams: micro-, meso-, and macro-levels. Third, I critique three types of theory often used in corporate governance and explore how scholars address trust and distrust in each. My primary focus is on agency theory, but I review stewardship theory and stakeholder theory to present contrasting corporate-governance perspectives. In Chapter 3, I extend my literature review to create a conceptual diagram that explains the specific theoretical underpinnings of the supplemental questions I derived to address the study's primary research question. In Chapter 4, I provide a comprehensive justification for the philosophical underpinnings of this study, and I emphasise my ontological and epistemological choices. I also provide a list of reasons for my decision to use the multiple-case-study research method and explain how I selected included cases. I do this to provide a logical audit of the rigorous approach I used in this research. Finally, I explain the ethical guidelines and analytical methods I used.

In Chapter 5 (within-case analysis) and in Chapter 6 (cross-case analysis), I present the results of the project's empirical data. In Chapter 5, I followed a case protocol that relied on two themes underpinned by five within-case categories: (a) trust and distrust on board effectiveness, (b) chairman and CEO centrality, (c) CEO attributes of distressed organisations, (d) chairman attributes of distressed organisations, and e) levels of board effectiveness. In Chapter 6, I presented the results on the same two themes underpinned

by cross-case categories of (1) Chairman and CEO relationship centrality; (2) CEO-Chairman Attributes, (3) CEO-CFO boundary spanning roles; (4) relational dynamics and (5) organisational outcomes. Therefore, the Chapter 5 categories that underpin the main themes represent a second level of analysis from the codes, and the categories that support the themes in Chapter 6 represent a third level of analysis. This illustrates that while the abstracted concepts are grounded in empirical data, they are not of a descriptive nature.

In Chapter 7, I discuss the findings and conclusions of this study. I present the findings through a critical-realist analytical framework that includes the description of observations, discussions of the division and sorting of empirical data to enable the process aimed at specifying generative processes, and theory-building through empirically grounded abstract concepts. My theorising process yielded seven propositions, which form important building blocks in the development of a theory of moderated-trust governance. In the conclusion, which outlines various contributions of the study, I also discuss the limitations of the study and propose further areas of research derived from the project's results.

Chapter 2: Literature review

2.1. Introduction

In the previous chapter, I established the need to study trust and distrust in corporate governance from the perspectives of practitioners and academics. In this chapter, I focus on the intersection of trust and corporate governance within contexts of organisational distress. I compare and contrast this context with that of healthy organisations. Although few scholars study trust at multiple levels, I review trust literature and pay specific attention to multiple levels of analysis, including individual, team, and organisational levels (Janiwicz & Noorderhaven, 2006; McEvily, Perrone, & Zaheer, 2003a), as well as to high and low levels of trust (Dietz & Den Hartog, 2006) and distrust (Lewicki et al., 1998; Schoorman et al., 2007).

I have two objectives in mind. First, I highlight the streams of trust research that address different units, levels, and objects of analysis. I also focus on nascent literature on the role of distrust in moderating notions of trust. Second, I review scholarly treatment of trust and distrust within corporate-governance literature. In this section, I compare and contrast dominant forms of low-trust agency theory with less dominant forms of high-trust stewardship theory and the fungible stakeholder theory in order to assess gaps in how scholars treat trust and distrust within corporate-governance literature. My goal is to identify current debates and theoretical gaps in literature (Ring, 1996; Whetten, 1989).

2.2. Contexts of organisational distress

Within literature on organisational change, distress has been defined as "a low probability, high impact event that threatens the viability of the organisation and is characterised by ambiguity of cause, effect, and means of resolution, as well as by a belief that decisions may be made swiftly" (Pearson & Clair, 1998, p. 3) to arrest the distress event. Scholars have been interested in the causes and consequences of organisational distress for more than four decades (Argenti, 1976; Pretorius, 2013; Smith & Graves, 2005). Scholars interested in this topic seek to understand what causes financial distress; doing so could lead to insights about how to turn around financially distressed organisations and how to regain organisational sustainability. Scholars of corporate governance are similarly concerned with interrogating how relations between parties are regulated, since insights on this topic may

also enable organisational sustainability. Therefore, scholars of organisational distress and of corporate governance intersect at an interrogation point. By approaching the roles of trust and of distrust as organising principles (McEvily et al., 2003b) in contexts of distress, governance scholars and practitioners can contribute to uncovering generative mechanisms that may facilitate effective corporate-governance performance.

A number of corporate-governance scholars have argued that organisational failure and increased interest in corporate-governance effectiveness are positively related (Cheffins, 2014; De Maere et al., 2014; Monks & Minow, 2012; Nadler, 2008). Scholars have attributed the failures of large organisations to corporate executive crime (Adams, 2003; Bhagat & Bolton, 2008; Bhagat et al., 2010; Chancharat, Krishnamurti, & Tian, 2012; Choo & Tan, 2007; Gillespie & Dietz, 2009; Griffin, 2015; A. Hill, 2015; Jensen, 2004; Mellahi, 2005; Raelin & Bondy, 2013); fatal, avoidable accidents such as Union Carbide's chemical spill at Bhopal and BP's refinery fire in Texas (Monks & Minow, 2012); and global bankruptcies that originate in the banking sector through companies such as Lehman Brothers and Northern Rock (Gillespie & Dietz, 2009; Lewellyn & Muller-Kahle, 2012; McNulty et al., 2013). Scholars and practitioners have increasingly scrutinised governance actors, malfeasance of top-management team members, and failures of large organisations (Aguilera, 2005; Aguilera & Cuervo-Cazurra, 2004; Aguilera et al., 2014; Aguilera & Jackson, 2010). As a result, scholars of best-business practices have expected increased scrutiny to improve organisations' governance efficacy and to contribute to organisational sustainability.

Although the causes and consequences of organisational distress are beyond the scope of this study, I determined that scholars of trust and of governance would be interested in contexts of organisational distress. Unlike healthy business contexts, which provide a uni-temporal business perspective, contexts of organisational distress present a multi-temporal dimension within which to investigate individual, group, and organisational governance mechanisms. Studies of organisational-distress contexts allow scholars to consider organisational constructs immediately prior to distress and during early phases of distress, later phases of distress, the turnaround phase, or the failure phase (Argenti, 1976).

Studies of corporate-governance mechanisms within contexts of organisational distress also respond to calls by scholars to compare and contrast mechanisms in healthy contexts and in distressed ones (Daily et al., 2003; Hoskisson, Arthurs, & White, 2014). Research on internal mechanisms within healthy contexts and distressed contexts contributes to process

studies that focus on the internal mechanisms of governance (De Maere et al., 2014; Roberts et al., 2005). This contrasts with popular input-output studies focussed instead on CEO tenure, the separation of board chair and CEO, number of directorships, size of the board, and board turnover (Baker & Anderson, 2010; Boyd, Franco Santos, & Shen, 2012; Clacher, Hillier, & McColgan, 2010; D. R. Dalton & Dalton, 2011; Pugliese et al., 2014; Van Essen, Otten, & Carberry, 2012).

Scholars of corporate governance and of trust have called for context to be incorporated in research within either field. Corporate-governance scholars have suggested that a focus on context shifts attention away from studies that generate lists of what governance actors do and towards studies that explain how they perform their tasks (Kaczmarek, Kimino, & Pye, 2012b; McNulty et al., 2005; Pye & Pettigrew, 2005). For scholars interested in how governance actors perform their tasks, trust emerges as an important mechanism worthy of investigation. However, trust remains an underspecified mechanism in corporate-governance literature. Influential economics scholars have been biased towards studies of healthy business contexts, which has contributed to the superficial treatment of trust within corporate-governance literature. In turn, scholars' superficial treatment of trust has contributed to poor conceptualisations of trust. This is illustrated by a tendency among governance scholars to poorly distinguish between mechanisms of trust and distrust (Lewicki et al., 1998).

To be compelling, scholars should simultaneously consider trust and distrust in studies on corporate governance; as agency theory shows, both trust and distrust characterise intentions, decisions, and actions in the corporate-governance domain (Beccerra & Gupta, 1999; Raelin & Bondy, 2013). Studies that investigate trust and distrust within contrasting organisational contexts and at multiple units of analysis respond to scholarly calls for more serious consideration of contextual factors in research on trust and governance (Bachmann, 2001; Huse, 2007; Schoorman et al., 2007).

Studies that investigate mechanisms of trust and of distrust in contexts of healthy and distressed organisations may help scholars distinguish between such mechanisms. In contrast, the continued dependence of scholars on under-theorised notions of trust and of distrust may contribute to reliance on governance mechanisms that negatively affect board task-performance and that exacerbate organisational instability. Therefore, I suggest this study's investigation into differences between trust and distrust contributes to illuminating

the instrumental role of trust mechanisms in specific exchange relations, such as those among corporate-governance actors. Its focus on interrogating process mechanisms within contrasting contexts also contributes to illuminating the operation of trust within and among governance actors.

2.3.   Trust and distrust

In this section, I review definitions of trust within literature on corporate governance and discuss different levels and types of trust. I indicate how different levels and types of trust operate in divergent and complementary ways among corporate-governance actors in multiple contexts. My core objective is to engage emerging literature on trust—particularly at the team level—within the corporate-governance domain (Schoorman et al., 2007). Therefore, I rely on a multi-dimensional perspective on trust, which was developed by Fulmer and Gelfand (2012).

I also review literature on distrust to reveal the boundaries of the trust and distrust constructs. Finally, I discuss the concept of *need for closure* (Acar-Burkay et al., 2014), which scholars use in trust literature to address the effects of uncertainty inherent in economic exchange relations. I suggest that a multi-dimensional perspective on trust, which incorporates the positive dimensions of distrust, provides a more robust foundation on which to develop a theory of moderated trust in the corporate-governance field.

2.3.1.   *Definition of trust across levels*

Some scholars have suggested that in order to improve the explanatory power of trust mechanisms, researchers must ensure consistency between constructs, theories, and measurement instruments (Fulmer & Gelfand, 2012; Viswesvaran, 2009). Informed by this view, I situate the notion of trust within historical, contemporary, and prospective conceptualisations. The historical approach to trust has focussed on the individual level (Couch & Jones, 1997; Deutsch, 1958). However, contemporary approaches to trust are characterised by inter-organisational considerations, which rival interest in individual-level trust (Lewicki & Brinsfield, 2012; Lewicki et al., 2006; Schoorman et al., 2007). Prospective approaches to trust contribute to emerging literature on levels of trust and distrust, as well as on how these constructs interact at group levels (Fulmer & Gelfand, 2012). My simultaneous review of the construct from individual, team, and organisational perspectives

facilitates a more complete understanding of the complexities and subtleties around trust (Bijlsma-Frankema & Costa, 2005) in the corporate-governance domain. Through this, I expect to maintain consistency between construct conceptualisation from one domain (trust) and theory development in another (corporate governance).

Understandings of the construct of trust have transformed across time. Traditionally, scholars have associated trust with expressions of confidence in the intentions and motives of others (Lewicki et al., 1998). This view is espoused in the classical works of Morten Deutsch, published in 1958 and 1962, and by other scholars. It incorporates the expectation that a trustee will not use knowledge that could benefit the trustee but could harm a trustor (Bijlsma-Frankema & Costa, 2005). Confidence in intentions and motives is expressed in the expected attitudes of the referent (or object) party. Scholars have described this approach to trust as an attitudinal one that focusses on the expectation of a trustee's intended reliability (Bachmann, 2011; Janiwicz & Noorderhaven, 2006; Yakovleva et al., 2010). Considering that psychologists have argued that attitude is an unobservable, evaluative property of individuals (Ajzen & Fishbein, 1977; Mayo, 2015; Osborne, Simon, & Collins, 2003), attitude-based trust is a weak foundation of levels of trust other than individual-level trust..

Contemporary scholarly conceptualisations of trust have shifted from a focus on intentions and attitudes towards an emphasis on the behaviour of trusted referents at different levels of analysis. According to Janiwicz and Noordehaven (2006), behavioural approaches to trust focus on the decision by one party to rely on another based on the expected behaviour of the referent party as opposed to the party's expected intentions. Given that behaviour is an observable property of individuals or collectives (Ajzen & Fishbein, 1977; Verhallen & Pieters, 1984), behavioural-based approaches to trust provide a firmer bridge to levels of analysis higher than the individual.

This shift from historical focus on intentions to contemporary investigations around behaviour facilitates the development of a multi-dimensional definition of trust. The shift towards behavioural approaches enables scholars to explore whether trust at one level of analysis influences trust at others and whether trust operates in one or in multiple directions (Colquitt, LePine, Piccolo, Zapata, & Rich, 2012; McEvily, Radzevick, & Weber, 2012). Through a behavioural-trust perspective, scholars can incorporate temporal dimensions.

I develop a multi-dimensional conceptualisation of trust by drawing on extant understandings of trust from several scholarly fields. Despite the diversity of academics who conduct trust research, there is consensus about the key elements of trust. Scholars across disciplines such as psychology (Colquitt, Scott, & LePine, 2007;De Jong & Dirks, 2012), social psychology (Acar-Burkay et al., 2014; Lewicki et al., 1998), sociology (Bachmann, 2011; Bachmann & Akbar, 2008; Bijlsma-Frankema & Costa, 2005), law (Blair & Stout, 2001; Bukspan, 2006; Deakin, 2006), conflict management (Tomlinson, Dineen, & Lewicki, 2009), business ethics (Caldwell & Karri, 2005), organisation studies (Brower, Lester, Korsgaard, & Dineen, 2008; C. C. Chen, Chen, & Meindl, 1998; Connelly et al., 2012; Korsgaard, Brower, & Lester, 2015), international studies (Clases, Bachmann, & Wehner, 2003; Das & Teng, 2004; Das & Teng, 1998; Gulati & Nickerson, 2008), and economics (James, 2014; Mollering, 2014; Williamson, 1993) generally agree that trust within exchange relationships incorporates a willingness by one party (trustor) the trustor to be vulnerable to another party (trustee) based on the trustee's positive intentions (Mayer et al., 1995; Rousseau, Sitkin, Burt, & Camerer, 1998) or behaviour (Janiwicz & Noorderhaven, 2006).

In this study, I build on the multi-dimensional definition of trust developed by Fulmer and Gelfand (2012), who distinguish between trust at individual, team, and organisational levels. Within each, Fulmer and Gelfand (2012) further distinguish trust between different referents, where a referent connotes the object rather than the source of trust. At all three levels, they position the referent as an individual, a team, or an organisation. Fulmer and Gelfand (2012) build on a settled conceptualisation of trust, articulated by Mayer et al. (1995) and Rousseau et al. (1998), to define multi-level, multi-referent trust:

> In an interpersonal referent at the individual level as a psychological state comprising willingness to accept vulnerability based on positive expectations of a specific other or others, trust in an interpersonal referent at the team level as a shared psychological state among team members comprising willingness to accept vulnerability based on positive expectations of a specific other or others, and trust in an interpersonal referent at the organizational level as a shared psychological state among organizational members comprising willingness to accept vulnerability based on positive expectations of a specific other or others.

> Likewise, trust in an organization at the individual level is defined as a psychological state comprising willingness to accept vulnerability based on positive

expectations of an organization, and trust in an organization at the team level as a shared psychological state among team members comprising willingness to accept vulnerability based on positive expectations of an organization, and trust in an organization at the organizational level as a shared psychological state among organizational members comprising willingness to accept vulnerability based on positive expectations of an organization. (Fulmer & Gelfand, 2012, p. 1174)

Fulmer and Gelfand's (2012) definition of trust focusses on individuals and organisation as sources of trust. However, it elides situations where teams are sources of trust. This omission illustrates that while definitions of trust at individual levels are fairly settled, those at team levels remain contested (Janiwicz & Noorderhaven, 2006; McEvily et al., 2006). That said, the multi-level, multi-referent definition of trust comprehensively combines literature on both attitudinal and behavioural approaches to trust. Building from this argument, which contrasts the stability of individual- and team-level conceptualisations of trust, I acknowledge that the trust definition proposed by Fulmer and Gelfand (2012) remains fluid.

This multi-level, multi-referent definition of trust seeks to deal with interdependence and uncertainty (Colquitt et al., 2012; McEvily et al., 2006) from multiple perspectives. Exchange partners, who may be uncertain about each other's intentions and actions, necessarily depend on each other to achieve their individual or joint objectives (Beccerra & Gupta, 1999). This produces a dilemma of trust, which is amplified by the curvilinear manner in which trust operates as a governance mechanism to lubricate exchange relations (Bachmann & Akbar, 2008; McEvily & Zaheer, 2006); too little trust is constraining, but too much is risky.

I suggest that adopting multi-dimensional perspectives on trust may help scholars identify mechanisms that reduce uncertainty in inter-dependent relationships. The ability of trust mechanisms to reduce gaps between interdependence and uncertainty is like a bridge. As Acar-Burkay et al. (2014) note, "trust is a bridge between what is known and what still needs to be known. Hence, trust functions as solution to problems caused by uncertainty about future behaviour" (p. 720).

2.3.2. *The purposes of trust*

Exchange parties face uncertainty of intention and behaviour. This uncertainty creates risks that diminish prospects for successful economic activities. Parties in an economic exchange may therefore benefit from collaboration. Scholars have argued that collaboration facilitates the coordination of activities between parties (Lau & Liden, 2008; Stallen & Sanfey, 2015). Some scholars note that collaboration has two dimensions: coordination and cooperation (Gulati, Wohlgezogen, & Zhelyazkov, 2012; Stallen & Sanfey, 2015). Whereas coordination involves reducing opportunistic behaviour, cooperation focusses on increasing the structural mechanisms that underpin collaborative relationships.

As one structural mechanisms of collaboration, trust works alongside cooperation to strengthen collaborative relationships between parties in economic exchanges. Trust enables these parties to collaborate by mitigating risk-taking behaviour (Schoorman et al., 2007). According to Bachmann (2001), trust structurally "absorbs uncertainty, and diffuses complexity, but, at the same time, it produces risk" (p. 342). Therefore, while trust may absorb uncertainty, misplaced trust may produce risk and undermine cooperative efforts. Undermined cooperation is positively associated with failed collaboration (Gulati et al., 2012), which in turn increases uncertainty between parties in economic exchanges.

Scholars have long argued that the negative outcomes of misplaced trust are significantly greater than the positive ones (Deutsch, 1958, 1962). This suggests that trusting another person has a limited upside but an unlimited downside. Using this insight, Deutsch (1962) distinguishes between trust and gambling by characterising gambling as a positive pay-off endeavour. Gambling is thus presented as less risky than trust. This raises a question: given that the positive outcomes of trust are capped but its negative outcomes are unlimited, why should individuals involved in economic exchange behave in a trusting manner?

In this study, I position trust as a mechanism that both reduces and creates risk. As such, trust poses an inherent dilemma. This dilemma has been investigated by economists (James, 2014), but I turn to scholars of population ecology to lay the foundation for understanding why individuals in economic exchanges exhibit trust despite its uneven outcomes. Population-ecology scholars use studies that compare animal and human psychology to illuminate the psychological reasons behind human cooperation (Stevens et al., 2005). A study by Stevens et al. (2005) determined that cooperation does not exist in

some animal groups, and where it does exist, it is facilitated by a "variety of psychological mechanisms" (p. 512).

Human cooperation is distinguished by cognitive constraints such as delayed gratification, temporal discounting occasioned by repeated interaction, individual face recognition, episodic memory, kinship, and mutualism instead of by the "maxim that selection favours behaviour that maximizes personal gains in terms of survival and reproduction" (Stevens et al., 2005, p. 513). Building on Darwinian logic, Stevens et al. (2005) suggest that cognitive constraints, such as long-term orientation, are antecedent to human propensities to use trust as a cooperation mechanism. This is consistent with trust-propensity literature, in which scholars assert that the propensity to trust is antecedent to the higher-order construct of trust (Colquitt et al., 2007), which has consequential implications for the even higher-order construct of team trust (Fulmer & Gelfand, 2012).

This notion, that parties in an economic exchange are cognitively constrained in their use of trust to reduce environmental uncertainty through cooperation, influenced my research (Gulati et al., 2012; Stevens et al., 2005). Trust as a mechanism of cooperation (Bachmann, 2001; McEvily et al., 2003a) improves collaboration between individuals (McAllister, 1995), individuals and teams (Lau & Liden, 2008), and market and hierarchical, hybrid organisational forms (Bachmann & Zaheer, 2006). Scholars have shown that improved cooperation between economic exchange parties across levels also improves organisational ambidexterity, simultaneous alignment to current environment, and adaptability to emergent environments (Ghoshal & Bartlett, 1994; Gibson & Birkinshaw, 2004).

Scholars have also established that cooperation, through trust, facilitates acceptance and openness (Boss, 1978; Zand, 1972). Some scholars have argued that trust causes internalisation of moral commitments and may be operationalised through contracts (Zucker, 1986). Regarding governance actors, scholars have suggested that the long-term orientation of board members partially explains cooperation propensities (Bachmann, 2001). More recently, scholars have argued that cooperation at different levels of analysis requires a person's willingness to accept dependence, which in turn requires assurance that non-dependent parties will not defect in the cooperative action (Nooteboom, 2006). The outcomes of openness and acceptance contribute to positive outcomes between cooperating parties. In the context of this study, I expected the outcome of openness and acceptance among governance actors to contribute to effective board task-performance.

2.3.3.   *Trust levels*

In their attempts to uncover insights about trust between exchange parties, scholars have distinguished between different types of trust. Early scholars discussed *basic trust*, which simply involves one individual trusting another in a social context (McEvily et al., 2006). The source and object (i.e., referent) of basic trust is an individual. Basic trust forms the foundation of interpersonal trust, which scholars have discussed within trust literature for years. Fulmer and Gelfand (2012) extended the concept of individual-level trust to incorporate the notion of *target referent*. They distinguished between three trust referents (objects): trust in individuals, in teams, and in organisations (Fulmer & Gelfand, 2012).

Studying the antecedents of trust is important for understanding the mechanisms through which trust influences exchange relationships. Despite a large body of literature on trust, scholars have noted that little is known about the antecedents of trust (Yakovleva et al., 2010). Understanding such antecedents could address a weakness in some scholars' conceptualisation of trust as a trustor's willingness to be vulnerable to another person, which does not adequately capture the conceptualisation of trust at a team level. In addition, scholars have shown that this conceptualisation of trust supports the idea that trust is uni-directional (Schoorman et al., 2007; Sitkin & Roth, 1993) instead of bi-directional (Lewicki et al., 1998, 2006). Knowing the antecedents of trust could contribute to building definitions of trust as a bi-directional construct (Mayer & Gavin, 2005; Van der Werff & Buckley, 2014), I posit that uncovering the antecedents of team trust may facilitate its recognition as a more stable construct.

2.3.4.   *Individual-level trust*

The antecedents of trust at the individual level are separated between the source of trust (the trustor) and the object or referent of trust (the trustee). From a trustor's perspective, the list of antecedents includes a trustor's generalised propensity to trust and a trustor's long-term orientation. From a trustee's perspective, antecedents include a generalised propensity to trust, a trustee's locus of power, and the trustee's trustworthiness (ability, competence, benevolence, and integrity) (Mayer et al., 1995). From a combined perspective, antecedents include shared characteristics between the trustor and trustee (e.g., social identity, Ashforth & Mael, 1989), the communication process between trustor and trustee, relational embeddedness, the reputations of the trustor and trustee, structural

constraints such as contracts and monitoring, and organisational and external contexts. Early scholars in the field indicated that trust will be fragile if it is supported by few antecedents (McKnight, Cummings, & Chervany, 1998).

Building on the assertion that the strength or weakness of trust is a function of the presence or absence of trust antecedents (McKnight et al., 1998), I suggest that establishing the salience of trust antecedents at different levels may enhance the identification of such levels. Other scholars have presented typologies of trust, which capture trust antecedents differently. Consistent with a trust typology developed by Becerra and Gupta (1999) and the characterisation of identification- and knowledge-based trust by Lewicki et al. (2006), the antecedents of trust at an individual level include attitude, competence, and behavioural factors.

The attitude aspect is consistent with the concept of benevolence described by Mayer et al. (1995). The competence aspect is consistent with the characterisation of cognitive trust or competence-based trust and with the concepts of ability and integrity described by Mayer et al. (1995). The behavioural component is consistent with some scholars' opinions that the development of individual-level trust is influenced by behavioural integrity, behavioural consistency, participatory decision-making, communication, and demonstrations of concern by the referent (Whitener, Brodt, Korsgaard, & Werner, 1998). Antecedents of trust affect the emergence of trust at an individual level (Mayer & Gavin, 2005). By extension, the interaction of such antecedents for both the trustor and trustee influence the emergence and levels of an individual's trust in other individuals.

Most scholarly discussion of the antecedents of trust has focussed on individual trust in other individuals. Fulmer and Gelfand (2012) also discussed the antecedents of individual trust within teams. One of Fulmer and Gelfand's (2012) key contributions was their focus on the idea that trust as a construct is quasi-isomorphic (Colquitt & Rodell, 2011; Ferrin et al., 2007; Fleeson & Leicht, 2006). This means that "conceptualizations of trust across levels share some similarities and differences" (Fulmer & Gelfand, 2012, p. 1124). Similarities include the conceptualisation of trust through notions of positive expectation and through a willingness to accept vulnerability. Scholars have largely associated these similarities with trust at an individual level, but they also operate across different levels (Schoorman et al., 2007). Differences in scholarly conceptualisations of trust include a propensity to trust at an individual level (Lewicki et al., 1998; Mayer et al., 1995; Schoorman et al., 2007), the

presence of shared or collective beliefs at a team level, and a shared climate at an organisational level (Fulmer & Gelfand, 2012).

Building from the concept of quasi-isomorphism, Fulmer and Gelfand (2012) noted that scholars tend to conceive of the antecedents of individual trust in teams through trustor and trustee characteristics derived from individual levels of analysis. Fulmer and Gelfand (2012) asserted that when considering individual trust in teams, scholars should also consider shared characteristics between trustors and trustees, which include positive relationships, value congruence, and communication processes between individuals and teams. However, they noted that the antecedents of individual trust within teams also include context, levels of vulnerability, levels of predictability and danger, kinship, and the diversity of top management (Fulmer & Gelfand, 2012). Considering the latter point, other scholars have suggested that a key antecedent of individual trust in teams is the extent to which diverse team members endorse conservative beliefs (Chattopadhyay, 2003).

Also building from the quasi-isomorphism assumption, I suggest that an additional antecedent distinguishes individual trust in organisations from other types of trust: the notion of organisational climate. This concept refers to "organizational characteristics such as on-going organizational changes . . . the extent to, and the length in, which an organization uses temporary workers . . . and perceived politics in organizations" (Fulmer & Gelfand, 2012, p. 1191). Other key antecedents of trust are the notions of perceived organisational support and of timely ethical failure management. The former relates to the voluntary provision of monitoring and sanctions, which are offered by organisations to improve trust. It is similar to the concept of bonding within agency theory (Eisenhardt, 1989a; Fama & Jensen, 1983a; Jensen & Meckling, 1976). In the context of a distress event, bonding activities minimise the erosion of individual trust in organisations. Hence, bonding activities offered by the trustee referent organisation are expected to improve the organisation's trustworthiness among individual trustors.

2.3.5. *Team-level trust*

Fulmer and Gelfand (2012) referred to literature that indicated that individuals have lower trust in teams than in other individuals. If this assertion is true, team trust appears to be distinct from individual trust and thus warrants further investigation. Investigations into trust in teams distinguish between trust as a level and as a referent (Fulmer & Gelfand, 2012).

As a referent, trust in teams could refer to individuals, groups, or organisations. As a level, trust in teams refers to collective trust shared by all members of a team. However, scholars continue to debate the operationalisation of the characterisation of teams as sources of trust.

When considering teams, I was concerned primarily with boards of directors, which consist of inside (executive) and outside (non-executive) directors (Masulis & Mobbs, 2011). Boards of directors are special teams because, unlike management teams (Hambrick, 2007), they interact intermittently. Also, unlike project teams, they are more long-term. Therefore, team dynamics within boards of directors differ from those of a typical top management team or project team in an organisation (Shazi, Gillespie, & Steen, 2015).

Some members of boards are also members of executive teams. Such dual membership presents opportunities for conflicts of interests, which may arise from disputes about resource allocation and effective task-performance. Levels of outside-director trust in the CEO may influence how the CEO (and his top management team) respond when conflicts arise between the interests of the board and those of the top management team. As a result, there is an urgent need to clarify the construct of team trust within corporate governance.

According to Fulmer and Gelfand (2012), literature on team trust in individuals focusses on characteristics of trustees (i.e., the object or referent) almost to the exclusion of trustors (i.e., the team as the source of trust). Some scholars have considered factors that could be antecedent to team trust. When team trust is the source of trust, scholars have suggested that social-categorisation mechanisms such as in-group categorisation and stereotyping are antecedents of team trust (McKnight et al., 1998). Whereas in-group categorisation refers to a trustor's tendency to rely on a trustee based on the strength of similar-group membership between the trustor and trustee, stereotyping refers to a trustor's propensity to place people in a group (other than an in-group) from which judgements can be made based on the group's generalised attributes.

As indicated by Fulmer and Gelfand (2012), much literature on trust focusses on how a team of employees (the source) trust their leader (the trustee). This accords with literature on teamwork at the level of management and workers. The focus on trustee antecedents is illustrated by the distinction between affect- and cognitive-based trust within corporate governance (McAllister, 1995). Whereas affect-based trust refers to emotional bonds between trustors and trustees, cognitive-based trust refers to performative elements

influenced by the competence, responsibility, and reliability of a trustee. McAllister (1995) proposed that cognitive-based trust influences affect-based trust. In turn, affect-based trust within economic exchange relationships arises after a trustee has demonstrated the salience of various trust antecedents. Hence, team members' belief in a leader's competence is an antecedent to the team's trust in the leader. This is consistent with theory on trust transfer (Stewart, 2003). In addition, where team members believe that a leader's style elicits positive behaviour from other team members, the trustee's leadership approach is also antecedent to the team's trust in the individual leader (Lount, 2010).

The topic of team trust in individual leaders has attracted much attention within literature (Brower et al., 2008; Korsgaard et al., 2015; Mayer & Gavin, 2005), but the topic of team trust in other individuals in a team has attracted less attention (Lau & Liden, 2008). Informed by the theory of trust transfer (Stewart, 2003) and by literature on the effects of trusted others on dyadic trust (Das & Teng, 1998; Das & Teng, 2004; Serva et al., 2005), I also consider the idea that a leader's trust in an individual is antecedent to a team's trust in such an individual (Lau & Liden, 2008).

The interaction between leader trust and team performance enhances the informational value of leader trust. Consider, for example, the argument that decreasing team performance is positively associated with strengthening team trust. According to Lau and Linden (2008), the reason for the strengthening of team trust under conditions of deteriorating performance is that "when the group performance suffers, members' interests are at stake and uncertainty triggers a greater need to process critical . . . information" (p. 1132). Hence, when teams do not perform well, their reliance on a leader is elevated. The literature on trusted others provides useful insights about antecedents of team trust in individuals.

Scholars have stated that the antecedents of team trust in another team include the behaviour of the referent team. At this level of analysis, scholars have argued that risk-taking and bonding behaviour by the referent team is antecedent to the trustor team deciding to trust in the trustee team. Scholars have also suggested that shared characteristics enabled by frequent interaction, geographic proximity, communication processes, and team-conflict mechanisms (cooperative and competitive approaches) are antecedents of team trust in other teams (Fulmer & Gelfand, 2012). With respect to the senior middle-management dyads, Fulmer and Gelfand (2012) posited cognitive flexibility and integrative

bargaining as antecedents. However, they were silent about antecedents of team trust in organisations (Fulmer & Gelfand, 2012). This indicates a weakness in conceptualisations of team-level trust.

2.3.6. *Organisation-level trust*

According to Fulmer and Gelfand (2012), organisational-trust literature is thriving. They indicated that leading theories have been used extensively to investigate and theorise the role of trust in contexts where organisations are the sources of trust (Fulmer & Gelfand, 2012). These include social exchange theory, made famous by scholars such as George Hamans and Peter Blau (Emerson, 1976), attribution theory, as espoused by Fritz Heider (J. H. Harvey & Weary, 1984; Kelley & Michela, 1980), and transaction-cost economics, popularised by Oliver E. Williamson (James, 2014; Mollering, 2014).

Despite the vibrancy of organisational-level trust literature, it lacks robustness in relation to levels of trust. Informed by the assumption of quasi-isomorphism, scholars have inferred that the antecedents of organisational-level trust incorporate antecedents of earlier levels of trust: individual and team. If scholars' conceptualisations of lower levels of trust are weak, this may undermine theorisation about higher levels of trust in the hierarchy. Therefore, scholars' understandings of organisational-level trust are as strong as their conceptualisations of individual-level trust but as weak as their conceptualisations of team-level trust.

I review the antecedents of organisational-level trust, identified by Fulmer and Gelfand (2012), against a backdrop of cautious optimism about the robustness of current ideas about organisational-level trust. According to Fulmer and Gelfand (2012), the antecedents of trust are arranged according to the source (trustor), the referent (the trustee), and a joint designation (trustor-trustee). From the perspective of the source, Fulmer and Gelfand (2012) identified only customer certainty as an antecedent. They argued that when customer certainty in an organisation diminishes, members of the organisation activate customer-seeking behaviour to the organisation's detriment (Fulmer & Gelfand, 2012).

From the perspective of the referent, Fulmer and Gelfand (2012) identified organisational-level integrity, organisational climate among co-workers, partner-received assistance, business ethics, cultural-diversity values, integrity values, task competence and quality

assurance, and trust repair as antecedents of trust. In earlier research, scholars identified competence, openness and honesty, concern for employees, and reliability and identification as antecedents of trust from the perspectives of referents (Schockley-Zalabak, Ellis, & Winograd, 2000). Overall, scholars who conduct research on organisational trust tend to emphasise the observed, empirical behaviour of members of the referent organisation prior to and independent of any decisions by members of the source organisation to trust.

From the combined perspective of trustors and trustees, Fulmer and Gelfand (2012) identified the following as antecedents of trust: organisational identification, relational satisfaction, shared characteristics, trust in co-workers, common principles among members, prior experience, collaboration experience, personal relationships, relationship strength, partner similarity, shared network, joint dependence, shared location, common business understanding, mutual adaptation, the quality of two-way communication, shared organisational practices, shared similar risks in highly competitive environments, and people-focussed industry. From this perspective, Fulmer and Gelfand (2012) focussed on the joint behavioural experiences of the source and referent organisations prior to the decisions of both parties to trust each other.

2.3.7. *The role of institution-based trust*

Broadly, I classify the three levels of trust I have discussed so far, which are characterised by joint behavioural experiences at individual (micro), group (meso), and organisational (macro) levels, as interaction-based trust (Bachmann, 2011). In my discussion of the antecedents of interaction-based trust at each level, I provide a solid foundation for understanding what roles different levels of trust play between exchange parties. Fulmer and Gelfand's (2012) multi-level, multi-referent trust framework relies on interaction-based trust. However, according to Bachmann (2011), interaction-based trust requires repeated interactions and is time-consuming and inefficient.

The temporal dimension of trust development (Mayer et al., 1995; Schoorman et al., 2007; Stevens et al., 2005) contributes to inefficiencies in interaction-based trust. As an alternative to interaction-based trust, Bachmann (2011) proposed the need to consider institution-based trust (i.e., systems trust). The notion of institution-based trust has been developed by sociology scholars such as Child and Mollering (2003), Bachman and Inkpen (2011) and

McEvily et al. (2003), who have suggested that institutional arrangements either build or discourage interaction-based trust. Bachmann (2011) argued that institutional-based trust is characterised by constitutive safeguards that enable trust to develop faster and more efficiently.

Scholars have shown that institutional-based trust reinforces interaction-based trust. Hence, scholars who disregard institution-based trust, such as those who consider only the legal dimensions of contracts (Sitkin & Roth, 1993), capture a partial view of trust. Deakin (2006) asserted that the legal dimensions of contracting practices play an important role in "the diffusion of contractual learning and the institutionalization of trust" (p. 230). In doing so, Deakin (2006) championed the idea that a more complete view of trust should consider both institution- and interaction-based trust mechanisms. This complementary approach to interaction- and institution-based forms of trust differs from literature that posits trust (an interaction-based mechanism) and contracts (an institutional-based mechanism) as polar opposites (Sitkin & Roth, 1993). It also contributes to literature that positions interaction-based trust and institutional-based contracts as mutually inclusive (Abdi & Aulakh, 2014; Deakin, 2006). I suggest that trust and contracts are complementary mechanisms that effectively and efficiently regulate the behaviour of parties in an economic exchange.

Another important aspect of institution-based trust is the idea that trust dispersions are a dimension of trust levels. Some scholars have approached research on regulating the behaviour of parties in an economic exchange through using ideas about interactions between trust and controls at different levels of analysis (De Jong & Dirks, 2012). De Jong and Dirks (2012) noted that single-level approaches to trust research are problematic. They argued that such approaches contribute to equivocal research results that establish a relationship between trust and performance (De Jong & Dirks, 2012). In support of theorists who use multi-level approaches to trust research, De Jong and Dirks (2012) studied the effects of dispersions of trust and of monitoring among team members rather than assuming mean levels of trust and monitoring. Their reason for focussing on dispersions instead of the mean was that "dispersions is an inherent property of any group level phenomenon and, therefore, of critical importance to understanding the emergency of such phenomena and their impact in group contexts" (De Jong & Dirks, 2012, p. 391). Their findings suggested that a team's overall propensity to trust is influenced by the propensities of each individual team member. Therefore, De Jong and Dirks' (2012) study of dispersions suggested that

individuals in a team will be differently motivated to develop trust in other team members, which will affect trust in the team as a whole.

2.3.8. *Operationalisation of trust*

Many scholars have written about the operationalisation of trust. Literature about defining trust forms the cornerstone of the operationalisation process (Gargiulo & Ertug, 2006; Hosmer, 1995). However, conceptualisations of trust remain fragmented in the discipline (Dietz & Den Hartog, 2006; Schoorman et al., 2007; Watson, 2005). Literature on the measurement of trust also forms another important building block for the operationalisation of trust (Couch & Jones, 1997; Dietz & Den Hartog, 2006; Mayer et al., 1995). Scholars have focussed most on individual-level trust measures that distinguish between cognitive and affective forms of trust (McAllister, 1995). Most of the trust-measurement literature captures a single party's belief in the trustworthiness of another (Dirks, Lewicki, & Zaheer, 2009). Using a meta-analysis of trust-measurement literature, Dietz & Den Hartog (2006) developed a particular measure for trust, which moved beyond an individual's belief in another person's or entity's trustworthiness.

Dietz and Den Hartog's (2006) measure of trust takes into consideration antecedents of trust, which they classified as the disposition to trust, character of the trustee, quality of the relationship between the trustor and trustee, and situational constraints. Their measure also encompasses other components of trust, which include beliefs in trustworthiness and decisions to be vulnerable. Finally, their measure of trust includes trust-informed outcomes, such as risk-taking behaviour by both parties in an exchange relationship. According to Dietz and Den Hartog (2006), the operationalisation of trust begins with a focus on the antecedents of trust.

2.3.9. *Distrust in, or apart from, trust*

Some scholars continue to advance the traditional view that a "complete lack of trust and distrust are the same thing" (Schoorman et al., 2007, p. 350). This perspective is consistent with earlier conceptualisations of distrust as an "absence of faith in other people" (Ross et al., 2001, p. 569). Scholars who define distrust in such ways locate it at the opposite end of a trust continuum. The general positivity bias within trust literature, which rarely engages with the negative consequences of trust, supports this positioning of distrust (Gargiulo &

Ertug, 2006; McAllister, 1997) and contributes to theoretical trends that treat unknown entities with suspicion (Dimoka, 2010; Granovetter, 1985).

In an attempt to demonstrate that trust and distrust are part of the same continuum, Schoorman et al. (2007) argued that trust is domain-specific: A person can be trusted in one domain and be distrusted in another (Mayo, 2015). For instance, following this logic, members of a board may trust their CEO in the domain of product development and sales but may distrust the CEO in the domain of financial management. In such a context, the board may not need to verify the product development and sales results but might need to check the financial results. By focussing on domain-specific trust, Schoorman et al. (2007) suggested that understanding distrust as a separate construct is unnecessary; the presence or absence of trust, in a particular domain, sufficiently explains governance mechanisms.

Schoorman et al.'s (2007) dismissal of distrust as a separate construct supported another traditional approach within trust literature, which posits that contractual and legal remedies undermine trust between parties (Sitkin & Roth, 1993). In this approach, scholars argued that because general trust in organisations is low, contracts may be used as substitutes for trust between economic actors (Sitkin & Roth, 1993). Building on this logic, Sitkin and Roth (1993) argued that trust refers to a "belief in a person's competence to perform a specific task under specific circumstances and the term 'distrust' to refers to the belief that a person's values or motives will lead them to approach all situations in an unacceptable way" (p. 376). However, this description emphasises dimensions of trust that are limited to cognitive aspects and competence (Dietz & Den Hartog, 2006).

Dimoka (2010) wrote about trust and distrust within the field of neuroscience. Using functional neuroimaging (fMRI) tools, she asserted that "observing the location, timing, and level of brain activity that underlies trust and distrust and their underlying dimensions . . . trust and distrust activate different brain areas and have different effects" (Dimoka, 2010, p. 373). The results of Dimoka's (2010) study provided a credible refutation of traditional views on distrust and trust (Tsoukas, 1989; Weick, 1989), which position the constructs at opposite ends of a continuum. Dimoka's (2010) research supports the view that trust and distrust are separate constructs. Lewicki et al. (1998) defined distrust "in terms of negative expectations regarding another's conduct" (p. 439). This view accords with an often-cited definition by Niklas Luhmann that distrust is an "expectation of injurious action" (as cited in Kramer, 1999). However, Luhmann did not suggest that trust and distrust are different constructs.

According to Lewicki and Brinsfield (2012), a person's propensity to distrust intentions is "grounded in pessimism, fear, lack of confidence, and negative expectations about the conduct of the other" (p. 34). While their view matches the pessimistic characterisation of humanity within traditional literature on distrust, Lewicki and Brinsfield (2012) underscored the antecedents of distrust. This opened the possibility for other scholars to consider a scenario where distrust may have positive consequences. For example, a person's lack of confidence in another may be attributable to either the trustor (source) or the trustee (object). Where the trustor's disposition, independent of the trustee's behaviour, is the cause of distrust, traditional views on distrust may be apposite. However, where the trustee's behaviour is independent of the trustor's dispositional characteristics, an understanding of distrust as a mechanism with positive consequences may be more appropriate. The study of the dispositional characteristics of trustors or trustees is beyond the scope of this research, but I include the behaviour of the trustor and trustee within it. Therefore, I focus on the dimensions of distrust that are caused by the behaviour of trustors and trustees, rather than by their intentions or motives.

If trust is a bridge between what is known and what is not known (Acar-Burkay et al., 2014), then distrust proves complementary to trust by allowing parties to trust but verify (Lewicki et al., 1998) in order to provide assurances about the quality of the bridge. In the corporate-governance domain, where antecedents of trust are few, distrust mechanisms can facilitate a level of prudency that protects parties from the harmful consequences of unbridled trust. If trust produces risk, as Bachmann (2011) suggested, then governance mechanisms designed to mitigate possible distrust could mitigate such risk.

Pulling the trust-distrust debate together, I classify conceptualisations of distrust in two ways: those based on certainty about another's behaviour and those based on uncertainty (see Table 1). The former aligns with a school of thought that supports a trust-distrust continuum. The latter underpins a school of thought that positions trust and distrust as separate constructs. Scholars should consider the instrumental value of both approaches before determining which definition of distrust is appropriate for their study. The results of my research, which I discuss in a later chapter, supported the ideas that trust and distrust are separate constructs and that uncertainty-oriented constructs of distrust, rather than certainty-oriented ones, characterise everyday corporate-governance realities (see Table 1).

An important, additional consideration is that common scholarly conceptualisations of trust and distrust emphasise empirical, observed behaviour (Fulmer & Gelfand, 2012; Schockley-Zalabak et al., 2000). However, given that trust and distrust are attitudes that cannot be observed (Osborne et al., 2003), most scholars' descriptions of trust and distrust are merely interpretations of attitudes. These descriptions, which are supposedly grounded entirely on empirical data, are interpretations of unobservable mental processes and therefore present an incomplete picture of the constructs of trust and distrust (Danermark et al., 2001).

Table 1

Certainty- and Uncertainty-Based Definitions of Distrust

	DEFINITIONS	AUTHOR(S)
CERTAINTY-ORIENTED	A complete lack of trust	Schoorman et al. (2007)
	Absence of faith in other people	Ross et al. (2001)
	A belief that a person's values or motives will cause them to approach all situations in an unacceptable way	Sitkin & Roth (1993)
UNCERTAINTY-ORIENTED	Confident negative expectations regarding another's conduct; a fear of, a propensity to attribute sinister intentions to, or a desire to buffer oneself from the effects of another's conduct	Lumineau (2017)
	Negative expectations regarding another's conduct	Lewicki et al. (1998)
	Expectations of injurious actions	Luhmann (1979) as cited in Kramer (1999)

Note. Author is the source.

2.3.10. *Summary: levels influence dimensions of trust*

From the literature review above, two important features of trust emerge. First, high and low levels of trust have attracted the attention of many scholars, but optimal levels of trust remain understudied. Some scholars have issued calls for more balanced and realistic characterisations of trust, and research on optimal levels of trust might yield such results (Gargiulo & Ertug, 2006). Critical of scholars who exhibit an optimistic bias in their characterisations of trust, Gargiulo and Ertug (2006) attempted to present both the benefits and the risks of trust. They noted that the benefits of trust include less monitoring, less conflict, less uncertainty, more commitment, more information-processing options, and more

relational satisfaction (Gargiulo & Ertug, 2006). However, they also argued that too much trust is associated with blind faith, complacency, the reduction of quality-of-information processing, and the assumption of unnecessary obligations.

Recognising the drawbacks of the binary approach to trust research, Gargiulo & Ertug (2006) suggested the concept of optimal trust, which structurally sits between low and high levels of trust. The relationships between low benefits and both insufficient (low) trust and excessive (high) trust are illustrated in Figure 1.
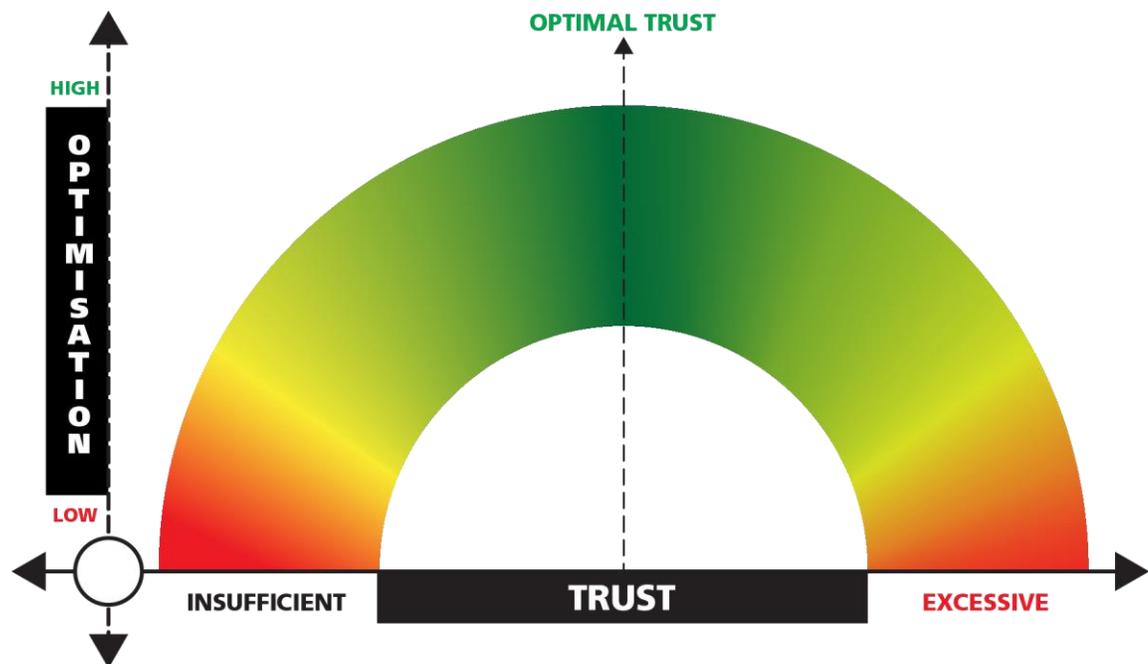
Figure 1. Trust and the benefits of trust. Adapted by author from Gargiulo, M., & Ertug, G. (2006). The darkside of trust. In R. Bachmann & A. Zaheer (Eds.), *Handbook of trust research* (pp. 165–186). Cheltenham, UK: Edward Elgar Publishing Limited.

Figure 1 illustrates that benefits are maximised at the point of optimal trust. Gargiulo and Ertug (2006) argued that optimal trust cannot be determined *ex ante* and is contingent on context. This means that every context calls for a different set of trust antecedents in order to achieve optimal trust. Gargiulo and Ertug (2006) were concerned with interaction-based trust, which other scholars have argued is inefficient and slow to develop (Lewicki & Brinsfield, 2012). While interaction-based trust is necessary for sustainable behavioural outcomes, it is insufficient. From the review in this section, I conclude that together, contract-

based trust (a feature of institution-based trust) and interaction-based trust fulfil the sufficiency rule. Given that scholars have reported that a reliance on contracts diminishes relational trust (Gulati & Nickerson, 2008), I invite readers to consider the implications of the positive characteristics of distrust (Lewicki et al., 1998).

2.4. Corporate governance

Given the separation of ownership and control, corporate-governance practitioners and scholars have a long history of interest in trust and distrust as traits of managers (Berle & Means, 2009). However, scholars have often discounted trust (Jensen & Meckling, 1976) instead of describing or explaining it. In this study, I incorporate a perspective that separates the concepts of trust and control within corporate-governance problems. In doing so, I contribute to a view within the discipline that trust is "a complex interpersonal phenomenon that occurs within a framework of interpersonal interaction; as such, it is influenced by individual, interpersonal and situational factors" (Acar-Burkay et al., 2014, p. 731). Viewed from this perspective, I focus on how the complex role of trust operates as a mechanism for addressing governance problems between and among individuals, teams, and organisations. In addition to the extant focus on institutional (contractual) perspectives, I review the behavioural dimensions of corporate governance. I use a layered approach that integrates intention-, behaviour-, and institution-based trust mechanisms.

Corporate governance has interested scholars across many disciplines, including economics (Jensen & Meckling, 1976), law (Adams, 2003; Lan & Heracleous, 2010; Sharpe, 2008), sociology (G. F. Davis, 2005; Emirbayer & Mische, 2013; Shapiro, 2005), and psychology (Garg, 2013, 2014; Lewellyn & Muller-Kahle, 2012). While economic approaches to corporate-governance dominate (Kim et al., 2006; Tihanyi et al., 2015; Tirole, 2001), behavioural approaches to corporate governance also make meaningful contributions (Roberts et al., 2005; van Ees, Gabrielsson, & Huse, 2009). In this section, I focus on explaining the roles of trust and of distrust in facilitating the effective task-performance of actors within behavioural corporate governance. By considering trust and distrust alongside agency-based corporate governance, I seek to bridge the gap between economic (institutional) and behavioural (psychological and sociological) approaches to corporate governance.

2.4.1. *Agency-theory perspectives on corporate governance*

Scholars have described agency theory as having low levels of trust compared to stewardship theory, which they have characterised as having high levels of trust (Huse, 2007). Despite debates about the degrees of trust, trust itself is not clearly detailed within agency-based corporate-governance literature (Huse, 2007). Different levels of trust are rarely considered in corporate-governance literature (L. Donaldson & Davis, 1991; Jensen & Meckling, 1976) but are less considered within trust literature (Lewicki & Brinsfield, 2012). Therefore, I suggest that a firmer conceptualisation of low and high trust, at the intersection of trust and governance literatures, may illuminate the boundaries of relational- (intentional and behavioural) and contractual-trust (institutional) mechanisms within the corporate-governance domain. Reading trust and distrust literature in the context of corporate governance opens room for considering relational and contractual constructs as equally important in economic exchange relationships. I note that an explicit engagement of the relational and contractual dimensions of trust within corporate-governance literature should address the behavioural aspects of governance actors, which remain absent within regnant agency theory.

In the context of literature on economic exchange, scholars have shown that trust reduces reliance on formal governance mechanisms because it reduces monitoring costs (Gulati & Nickerson, 2008; Gulati et al., 2012; Puranam & Vanneste, 2009) and improves information-processing (Bachmann, 2001, 2011). This indicates a need for studies of trust in corporate governance. However, the study of trust in contexts of corporate-governance exchange relationships proves difficult for many scholars; there are significant challenges to gaining access to corporate-governance actors for research purposes (Daily et al., 2003; D. R. Dalton & Dalton, 2011; Huse, 2005; Leblanc & Schwartz, 2007; Morais, Kakabadse, & Kakabadse, 2018). This difficulty results in gaps within literature on the corporate-governance domain—particularly around the role of process mechanisms such as trust (Roberts, 2001).

Given difficulties gaining access to governance actors, scholars have focussed on studying contract-based (institution) governance mechanisms by way of proxy variables (Aguilera & Jackson, 2010). Given that some scholars have characterised relational- and contract-based trust mechanisms as polar opposites (Sitkin & Roth, 1993; Williamson, 1993), I

suggest these scholars have an incomplete, limited understanding of the role of trust in corporate governance. However, other governance scholars view relational- and contract-based trust as complementary (Deakin, 2006; Gulati, 1995; Li, 2014; Mollering, 2014; Puranam & Vanneste, 2009). Given this complementary relationship and the positive benefits of trust in reducing governance costs in economic exchange relationships, I posit that corporate-governance scholars may benefit from simultaneously investigating trust and contract-based governance. This type of investigation could help clarify the dimensions of trust that have explanatory possibilities within the corporate-governance domain.

In order for corporate-governance researchers to investigate trust as a mechanism, they must overcome obstacles to obtaining access to corporate-governance actors (Bansal, 2013; Leblanc & Schwartz, 2007). If scholars could gain access to such actors, they might begin to investigate the roles of internal mechanisms such as trust (relational- and contract-based) in corporate governance. In this study, I respond to Bachmann's (2001) call for additional governance research on relational- and contract-based governance mechanisms. I consider definitions of corporate governance, because most corporate-governance studies do not explicitly indicate the boundaries of its meaning (Buchanan, Chai, & Deakin, 2014; Haxhi, van Ees, & Sorge, 2013; Luo & Salterio, 2014).

From an agency perspective, scholars have defined corporate governance as an "integrated set of internal and external controls that harmonize manager-shareholder (agency) conflicts of interest resulting from separation of ownership and control" (Baysinger & Hoskisson, 1990, p. 72); as a way for shareholders and bondholders to assure they get a return on their investment (Shleifer & Vishny, 1997); as "the structures, processes, and institutions within and around organizations that allocate power and resource control among participants" (G. F. Davis, 2005, p. 143); and as the study of "power and influence over decision making within the corporation" (Aguilera & Jackson, 2010, p. 487). Scholars have characterised good corporate governance as a generative mechanism for maximising shareholder value (Raelin & Bondy, 2013).

The various conceptualisations of corporate governance from an agency perspective support the long-held view that corporate governance is concerned with directing and controlling the activities of stakeholders in order to resolve expected goal conflicts that result from the separation of ownership and control (Berle & Means, 2009; Weinstein, 2012). Scholars consider agency itself to be about the consequences of dyadic relationships

between principals and agents. Scholars have characterised dyadic relationships through incomplete contracts (Eisenhardt, 1989; Fama, 1980; Fama & Jensen, 1983a) and have argued that "contracts are not costlessly written and enforced" (Fama & Jensen, 1983a, p. 304). This means that because principals are unable to contract for every possible eventuality with agents, principals are exposed to consequential rational-managerial opportunism. Therefore, incomplete contracts introduce information and motivation for uncertainty within economic exchange relationships between principals and agents.

One of the consequences of uncertainty between principals and agents is the notion of goal conflict, which manifests through the principle of utility maximisation (Raelin & Bondy, 2013). Scholars contrast the notion of goal conflict between principals and agents with another agency-theory assumption: goal alignment between principals and society (Jensen & Meckling, 1977, 2002; D. Miller & Sardais, 2011; Raelin & Bondy, 2013). This assumption of goal alignment between principals and society has been attacked by some scholars (Cuevas-Rodríguez et al., 2012; Lan & Heracleous, 2010; Lin & Chuang, 2011; D. Miller & Sardais, 2011; Renders & Gaeremynck, 2012). However, investigations of the foundational agency-theory assumptions about principals and society (Raelin & Bondy, 2013) are beyond the scope of this section of the study. I briefly consider this topic in a later section, where I review literature about stakeholder theory. In this study, I primarily focus on goal-conflict literature at the level of governance actors within an organisation.

Scholars have derived the goal-conflict assumption from the utility-maximisation principle, which they have said reflects rational behaviour by economic actors (Eisenhardt, 1989a; Fama & Jensen, 1983a; Jensen & Meckling, 1976). In other words, according to the utility-maximisation assumption, agents are expected to behave opportunistically, which includes managers pursuing unnecessary growth strategies to increase their own power (Jensen, 1986); managers making mistakes due to bounded rationality (Eisenhardt, 1989a); and managers diverting resources in the form of stealing, embezzling, or shirking duties due to an enabling environment (Aguilera et al., 2014; Choo & Tan, 2007). Through the utility-maximisation assumption, scholars of agency theory have reduced the relationship between principals and agents to what they have described as an atomistic, goal-conflicted relationship (Aguilera & Jackson, 2003; Clacher et al., 2010; G. F. Davis, 1991). As a consequence of this reductionist approach, other scholars have argued that agency theory is light on trust.

To minimise harm arising out of goal conflict, principals are typically enjoined by agency-theory scholars to establish institutional mechanisms for managing and controlling the decisions of their agents (Eisenhardt, 1989a; Jensen & Meckling, 1976). Parties may employ several institutional mechanisms to reduce the uncertainty caused by information asymmetry between principals and agents. While principals employ monitoring and alignment mechanisms, agents use bonding mechanisms (Eisenhardt, 1989a; Fama & Jensen, 1983a; Jensen & Meckling, 1976). Monitoring mechanisms include the use of boards of directors, which have authority over agents on behalf of principals. Alignment mechanisms include remuneration and incentivisation frameworks designed to encourage agents to behave in the interests of principals. Bonding mechanisms are intended to communicate to principals that agents mean to behave agentically in the interests of principals.

2.4.2. *Monitoring: board composition*

Agency-based scholars interested in exploring, describing, and explaining the monitoring role of governance mechanisms have extensively investigated the composition of boards of directors. Best-practice governance frameworks suggest that the composition of boards influences their ability to utilise monitoring functions (Aguilera & Cuervo-Cazurra, 2004; Aguilera & Jackson, 2010; Bhagat & Bolton, 2008). Scholars have introduced, revised, and improved best-practice frameworks following major, successive types of financial distress or corporate failure. However, a question remains: what combinations of board composition lead to improved financial performance? As a result, board-composition literature, which has spanned 40 years, continues to grow.

Board-composition studies have focussed on the demographic aspects of boards, such as size of the board (Pfeffer, 1972), board selection (Kaczmarek, Kimino, & Pye, 2012a; Ruigrok, Peck, Tacheva, Greve, & Hu, 2006; Withers et al., 2012), separation of chairman and CEO roles (Bhagat & Bolton, 2008; Bhagat et al., 2010; D. R. Dalton & Dalton, 2011; A. P. Kakabadse et al., 2006; A. P. Kakabadse, Kakabadse, & Knyght, 2010), the role of independent directors (Baysinger & Hoskisson, 1990; Bhagat & Black, 2014; Chancharat et al., 2012; Hooghiemstra & van Manen, 2004; Lynall et al., 2003; Zattoni & Cuomo, 2010), diversity of boards (D. A. Carter et al., 2010; Hafsie & Turgut, 2013; Hillman, Shropshire, & Cannella, 2007; Kumar & Zattoni, 2014; Nielsen & Huse, 2010; Ntim & Soobaroyen, 2013),

and board interlocks (Haunschild & Beckman, 1998; Ortiz-de-Mandojana, Aragón-Correa, Delgado-Ceballos, & Ferrón-Vílchez, 2012; Shropshire, 2010; Westphal & Milton, 2000; Westphal & Stern, 2006). Many of the factors studied by corporate-governance scholars are used by scholars and practitioners to establish an association between the demographic factors and financial performance of an organisation. In the discipline, research findings about the relationship between board composition and financial performance have been mixed (Bhagat & Black, 2014), largely because board composition and financial performance are distal variables. Some scholars characterise the relationship between board composition and financial performance as distal because there are many in-between variables that influence financial performance (Lorsch & Khurana, 2012).

Despite the distal nature of board composition and financial performance, scholars have continued to fixate on the role boards play in contributing to effective alignment and to monitoring managers and on how these variables influence organisational performance. This fixation has occurred because boards of directors have "emerged as both a target of blame for corporate misdeeds and as the source capable of improving corporate governance" (Aguilera, 2005, p. 39). Given that institutional mechanisms, such as chartering contracts, are the primary monitoring mechanisms used by boards of directors (Geletkanycz & Sanders, 2012; Spira & Bender, 2004), scholars interested in board processes that contribute to effective board task-performance should emphasise another dimension: how boards of directors arrive at specific charters or board mandates aimed at governing their behaviour relative to management.

2.4.3. *Alignment: remuneration and incentives*

Whereas board composition studies seek to provide insights into the efficacy of boards as monitoring mechanisms, literature on executive remuneration and incentives seeks to demonstrate the value of agency-based alignment mechanisms (Chizema et al., 2015; Van Essen et al., 2012). In one study, a literature search using ABI Inform returned 24,000 scholarly articles dealing with executive compensation in the corporate-governance domain, and a vast majority of those were based on agency-theory precepts (Boyd et al., 2012). The major aspects of compensation on which scholars focussed included comparing compensation with company performance, goal-setting and reward-system design, board-monitoring and executive pay, pay-for-performance, adoption of stock-based incentives, the

compensation of top management and directors, compensation associated with board quality and company performance, risk as an explanation of pay differentials, gender-pay disparities, market comparisons as determinants of executive pay, and the effect of compensation consultants on CEO pay. Essentially, scholars have compared compensation as an input with various proxy variables.

In an extensive survey, Boyd et al. (2012) suggested that scholars have long been interested time in understanding the effects of financial compensation as an alignment mechanism. Considering that more than 4,000 of the 24,000 articles on compensation in the survey were written in the three years prior to the publication of Boyd et al.'s (2012) study, I suggest that scholarly interest in the financial compensation of top-management individuals continues. Even studies from other areas of theory, such as upper-echelons theory, tend to focus on financial compensation as a mechanism for incentivising agents to align their interests with those of principals (Geletkanycz & Sanders, 2012).

Agency theory prescribes alignment of interests as a mechanism for addressing managerial opportunism (Fama & Jensen, 1983b; Jensen, 2004; Jensen & Murphy, 1990), and compensation is one mechanism that scholars have studied from an agency-theory perspective (Bebchuck, Grinstein, & Peyer, 2010; Berrone & Gomez-Mejia, 2009; Bosse, Connelly, & Hoskisson, 2014; Brandes & Deb, 2014; Cuevas-Rodríguez et al., 2012; van Ees et al., 2009; Zattoni & Cuomo, 2010). Scholars have used the concept of compensation, especially share-based compensation, to deal with the moral hazard of agents' unobserved actions, which could harm the principal(s), and to address adverse selection by the agent that manifests in hiding of information. Share-based compensation contributes to managing these agency risks by theoretically aligning the interests of agent with principals. Some scholars state that share-based compensation provides principals with valuable information regarding what agents are willing to bond themselves for, and it allows for more effective risk-sharing between agents and principals (Berrone & Gomez-Mejia, 2009).

However, scholars have viewed share-based compensation schemes with suspicion since 2007, when the practice of options-backdating was widely discussed. Options-backdating is a compensation device "employed by boards of directors to issue stock options to employees via a form of postdating: the grant price of the option is based on a past market price of the underlying stock. It is beneficial to the recipient" (Monks & Minow, 2012, p. 271) but harmful to shareholders (Jensen & Walkling, 2010; Lorsch & Khurana, 2012). Following

widespread abuses of share-based compensation by American managers and directors, scholars have attacked the narrative that share-based compensation addresses goal misalignment between agents and principals (Bebchuk, Grinstein, & Peyer, 2010; Lorsch & Khurana, 2012).

While financial incentives have been relied upon as a mechanism to address goal misalignment, the manner in which boards and management have implemented incentives has served to deepen misalignment between shareholders and management (Adams, 2003; Gordon, 2008). Scholars have argued that part of the reason that financial mechanisms aimed at addressing goal alignment have failed is that managers have captured the board (Lorsch & Khurana, 2012; Lorsch & McIver, 2008; Mace, 1979). Scholars have applied theories of power to explain how management captures boards (Brandes & Deb, 2014). However, a review of theories of power within corporate-governance discourse goes beyond the scope of this research paper.

Scholars have described the abuse of financial incentive mechanisms, such as through backdating stock options (Bebchuck et al., 2010; Collins, Gong, & Li, 2009), as an example of how management captures boards (Collins et al., 2009). When captured by management, boards cannot fulfil their monitoring and controlling roles as required by shareholders. Building on the perceived ineffectiveness of some boards, McNulty (2014) has suggested that boards have been complicit in embezzling shareholders. This perspective is consistent with earlier views that characterised boards of directors as irrelevant; some scholars have noted that boards of directors are unable to monitor and control managers, despite attempts by global policy-makers to strengthen formal and informal mechanisms that help boards fulfil their mandates (Aguilera, 2005; Aguilera et al., 2014; Andreasson, 2011; Monks & Minow, 2012).

As an alternative to focussing on financial incentives as an alignment mechanism, other scholars have suggested that compensation studies underpinned by agency theory should explore intrinsic incentives, such as psychological constructs (e.g., personal satisfaction and need for belonging, Cuevas-Rodríguez et al., 2012). Psychological contracts are "individual beliefs shaped by the organization, regarding terms of an exchange agreement between individuals and their organization" (Rousseau, 1995, p. 9). This call for corporate-governance scholars to focus on intrinsic incentive mechanisms, rather than the financial ones prescribed by agency theory, should be understood in context: some scholars have

perceived the utility-maximisation assumption as weak. Their call has also laid a foundation for other scholars to explicitly engage trust mechanisms within agency-based corporate governance.

2.4.4. *Bonding: board task-performance*

Bonding mechanisms have often been associated with the part of their remuneration that managers are willing to put at risk as a signal to shareholders (Eisenhardt, 1989a). Scholars have explained this using the pay-for-performance concept within broader compensation literature (Boyd et al., 2012). Descriptions of bonding mechanisms have tended to focus on the pay dimension to the exclusion of the performance component (Jensen & Murphy, 1990; Zattoni & Cuomo, 2010). In the previous section on alignment using remuneration and incentives, I discussed the pay component. Here, I highlight the performance dimension to complete the discussion on pay-for-performance bonding.

In corporate-governance literature, scholars often use board-composition studies that discuss the monitoring mechanisms of agency theory and incentive studies that provide insights about alignment mechanisms as independent variables, and they use financial performance as a primary dependent variable. Studies of the relationship between composition and incentive variables and financial performance have delivered mixed results (Bhagat & Black, 2014; Bhagat & Bolton, 2008; Bhagat, Bolton, & Romano, 2010; Shleifer & Vishny, 1997). In this study, I propose that a variable more proximal to financial performance should be studied (Lorsch & Khurana, 2012): board task-performance. Focus on board task-performance as a variable borrows from productivity literature, where scholars have identified co-worker task-performance as one of four variables that explain financial performance (Neal & Hesketh, 2001). By investigating the relationship between internal mechanisms and board task-performance, scholars could move closer to uncovering relationships between corporate-governance mechanisms and financial performance as mediated by board task-performance.
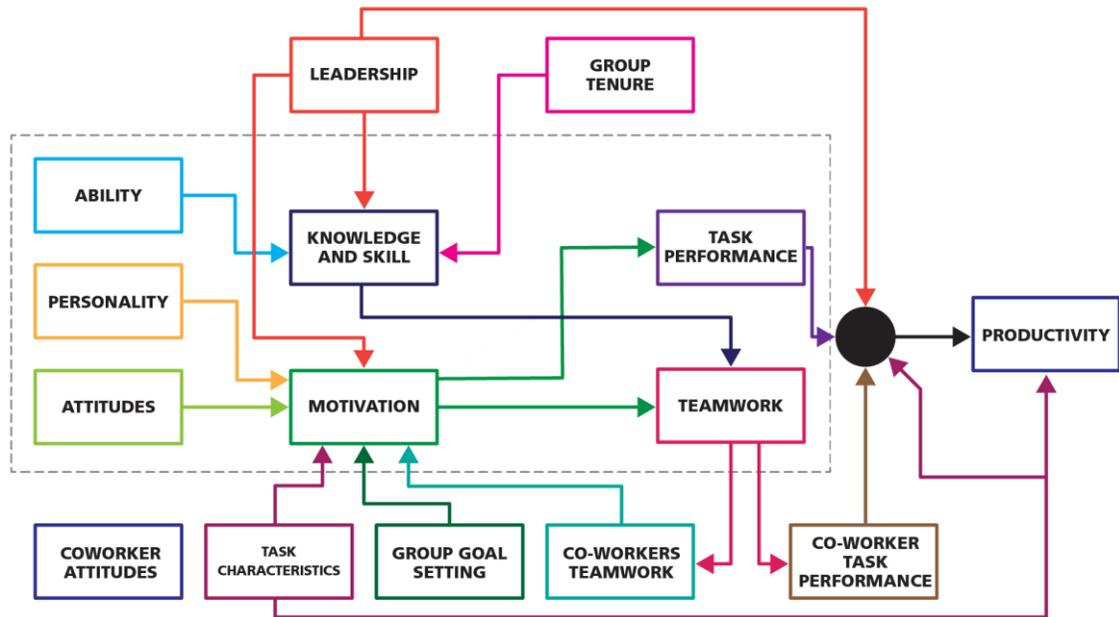
Figure 2. Model of individual performance and group productivity. Neal, A., & Hesketh, B. (2001). Productivity
in organizations. In N. Anderson, D. S. Ones, H. K. Sinangil, & C. Viswesvaran (Eds.), Handbook
of industrial, work & organizational psychology (pp. 7—24). London, UK: Sage Publications.

Neal and Hesketh (2001) presented a model of key variables that are proximal to financial performance (see Figure 2). Their model indicated that leadership, task performance, co-worker task-performance, and task characteristics interact to influence productivity as measured by financial performance. In addition, they noted that task characteristics also directly influence productivity (Neal & Hesketh, 2001). This study underpinned the focus on co-worker task-performance, which was renamed board task-performance, in scholarly investigation of variables that influence productivity as measured by financial performance.

Mace (1979) is credited as one of the first scholars who highlighted the realities of board task-performance (Huse, 2007; Machold & Farquhar, 2013). Historically, other scholars have also contributed to exposing the problematic role of directors (Lorsch & McIver, 2008). More recently, scholars have advanced the view that boards of directors have improved their task performance through increasing focus on corporate-governance practice and regulation in the forms of voluntary codes and of more stringent legislation (Charan, 2005; Monks & Minow, 2012).

Integrating productivity research into corporate-governance literature offers some explanation for how boards have improved their task performance. Borrowing from Neal and Hesketh (2001), I take motivation, knowledge, and skill, all of which are mediated by teamwork, as antecedent to task performance. In this study, I took the positive association with task performance and financial performance (Neal & Hesketh, 2001) as a given, and I integrated the trust construct into my investigations of such a relationship.

Now, I turn the discussion to literature on specific tasks performed by directors. Huse (2007) proposed a comprehensive typology of board tasks and reconciled it with a theoretical framework. First, he described the board output-control task, wherein boards act on behalf of external stakeholders by delivering quantitative information about a company's performance. Second, he described the board internal-control and decision-control tasks, which boards perform on behalf of external stakeholders in order to control managerial opportunism. Next, he described board networking tasks such as networking, lobbying, and legitimacy, which boards provide on behalf of internal stakeholders. Finally, he outlined board collaboration and mentoring tasks, which boards perform as important resources for internal stakeholders. Huse's (2007) typology demonstrated that boards of directors act as agents of both external and internal stakeholders to fulfil different functions. The implied bi-directional agency role fulfilled by boards of directors adds complexity for governance actors when organisations are in distress; conflicts between stakeholders are amplified in such contexts.

Machold and Farquhar (2013) identified board-related tasks and linked them to specific theories: service (agency and resource dependence theories), strategy (agency theory, resource dependency theory, and stewardship theory), linking to resources (resource dependency theory), coordination (stakeholder theory), maintenance (institutional theory), and monitoring and control (agency theory). Based on multiple-case-study research among directors in the United Kingdom, Machold and Farquhar (2013) asserted that while boards of directors spend most of their time on monitoring and control, they primarily monitor and control strategic planning and risk-management documents that members of the executive management provide at the behest of the CEO. Machold and Farquhar (2013) noted that certain types of formal evaluations by boards of directors are often poor, particularly evaluations of the CEO, corporate strategy, and external environment. The questions Machold and Farquhar (2013) raised about the effectiveness of boards of directors are

consistent with earlier questions about how boards of directors struggle to balance decision control and managers' actions (Useem & Zelleke, 2006). In addition, Jensen (2004) underlined the poor state of board task-performance and stated that internal budgeting systems are a sham; they encourage managers to lie, and they train "managers to forsake integrity and honesty" (Jensen, 2004, p. 550).

Institutionalised poor task-performance has been explored by scholars from a board-accountability perspective (Huse, 2007; Jensen, 2004; Machold & Farquhar, 2013). Scholars have suggested that director roles, over the years, have evolved from being ceremonial to being liberated and progressive (Charan, 2005; Charan, Carey, & Useem, 2013). While liberated boards may present an improvement over ceremonial boards, scholars have reported that they introduce a dysfunctional and ineffective culture within organisations because of their combative and confrontational natures (Charan, 2005). In contrast, progressive boards of directors have displayed positive relational dynamics, well-developed information architecture, and agendas that focus on substantive issues—all of which lead to board effectiveness (Charan, 2005).

While Charan (2005) provided a list of prescriptive behaviour to distinguish progressive boards from liberated ones, he did not describe how boards move from being ceremonial to being liberated or progressive. Studies of the trust mechanism within corporate governance have begun to provide some indication of how boards progress through each archetypal type. That said, the range of board tasks that scholars have described within literature is broader than the monitoring and control functions prescribed by agency theory (Machold & Farquhar, 2013). This demonstrates the extent to which boards have changed since the conception of agency theory (Lorsch & McIver, 2008; Monks & Minow, 2012; Werder & Zajac, 2008). Despite increases and variance in board activities, boards spend much time monitoring reports, and few boards of directors effectively monitor and control management, as prescribed by agency theory (Machold & Farquhar, 2013).

Scholars have also found that board monitoring improves as boards members serve on one or more board committees within a target organisation (Faleye, Hoitash, & Hoitash, 2011). This may be due to the effects of knowledge transfer, but Faleye et al. (2011) suggested that increased board monitoring is associated with diminished innovation, poor acquisition performance, weaker strategic advising, greater managerial myopia, lower excess remuneration, and reduced earnings management (the latter two are positive outcomes).

Scholars have also established a negative relationship between board monitoring and board task-performance (Pugliese et al., 2014). Therefore, while board monitoring is an important mechanism for reducing agency costs, if pursued over-zealously, it may lead to reduced firm value for shareholders. The negative effects of monitoring within corporate governance are consistent with the negative association between monitoring and trust asserted by some scholars within trust literature (Gargiulo & Ertug, 2006; Ross et al., 2001; Sitkin & Roth, 1993).

Studies of board task-performance focus on what the board tasks are and why they are important to fulfil (Pugliese et al., 2009). Research on board task-performance has not focussed sufficiently on how boards as a whole operate to fulfil various tasks (Huse, 2007; Machold & Farquhar, 2013; Pugliese et al., 2014). In an attempt to address this gap, some scholars have suggested that board processes are better *explanans* of board task-performance than are board compositions (Pugliese et al., 2014). Consequently, it seems that scholars who seek to establish a link between corporate-governance mechanisms and financial performance should study processes that illuminate effective task-performance. Hence, corporate-governance scholars should turn their attention towards studying processes such as commitment and propensities for critical debates (Minichilli, Zattoni, & Zona, 2009); cognitive conflict and levels of effort norms (McNulty et al., 2013); and the role of diversity in influencing factors such as strategic control, operational conflict, and group conflict (Nielsen & Huse, 2010). Behavioural constructs suggested by scholars correlate well with the antecedents of team trust in the individual (CEO) or in the team (executive management) (Fulmer & Gelfand, 2012; Neal & Hesketh, 2001).

Members of boards with a high need for certainty (Acar-Burkay et al., 2014) are more likely to have high-effort norms (McNulty et al., 2013) and thus to be less trusting of professional managers with whom they have limited familial ties. Boards with high-effort norms are more likely to have few antecedents of team trust (the board) in an individual, professional CEO (referent 1) or in the collective team of management (referent 2). Boards with fewer antecedents of trust with the CEO and with the top management team are likely to be less trusting of those referents. The role of trust in the demarcation and distribution of tasks between the board and the CEO signals the extent to which the CEO is willing be vulnerable to the board. A low-trust relationship between the board and the CEO increases vulnerability and reduces the accountability scope of the CEO and of the executive management.

Therefore, primary reliance on low-trust mechanisms within agency-based corporate governance do not appear to ensure effective board task-performance (Grundei, 2008).

2.4.5. *Invoking stewardship theory: an agency-theory alternative*

From an agency-theory perspective, managers are agents who scholars assume will exploit their informational advantages at the expense of principals. Within trust literature, scholars assume trustees will exploit informational advantages to the detriment of trustors. However, within corporate-governance literature, scholars have suggested that this assumption—that agents are predisposed to act from self-interest at the expense of principals—is not empirically sound (D. Miller & Sardais, 2011). On the contrary, D. Miller and Sardais (2011) suggested there is substantial empirical evidence of principals acting from self-interest at the expense of their organisations and of managers acting in pro-organisational ways in pursuit of the interests of others. Other scholars have suggested that principals who act from self-interest also pose a cost to society (Raelin & Bondy, 2013).

The self-interest of principals is illustrated when shareholder-principals interact with creditor-principals (Lin & Chuang, 2011; Renders & Gaeremynck, 2012). In contexts of organisational distress, shareholder- and creditor-principals have different motivations (Nini & Smith, 2012). The resolution of conflict between shareholders and creditors is often achieved at a cost. Within contexts of organisational distress, both of these principals typically act from self-interest at a cost to society (Raelin & Bondy, 2013).

Discussions of agency-theory literature within scholarship on stewardship theory is not without precedent. Most papers that explore, describe, and seek to explain stewardship theory heavily reference agency theory and focus on how stewardship theory deviates from it (Corbetta & Salvato, 2004; L. Donaldson & Davis, 1991; Grundei, 2008; Hendry, 2005; Hernandez, 2012; Muth & Donaldson, 1998; Wasserman, 2006). Fixation on comparing stewardship theory to agency theory has led many scholars to focus too heavily on comparison and not enough on the development of stewardship theory (Hernandez, 2012). As a result, stewardship theory remains conceptually weak; insufficient empirical studies have been undertaken to validate its claims.

Stewardship theory focusses on the agentic behaviour of managers that directly contrasts with the atomistic (Clacher et al., 2010) and negative (P. Wright, Mukherji, & Kroll, 2001)

perspectives of principals and agents that are predicted by agency theory. Stewardship theory characterises managers as intrinsically motivated and as people who seek to locate their self-images in the success of organisations as opposed to their own individual success (Hernandez, 2012). Stewardship theory presents a positive characterisation of managers, which contrasts with their negative characterisation in agency theory. Scholars pose stewardship theory as a solution to weak characterisations of managers within agency theory.

Some scholars have sought to ameliorate such weak characterisations of managers and have made a case for relaxing some agency-theory assumptions. Through ignoring positive and focussing on negative characterisations of managers, agency theorists have pursued a reductionist agenda that has yielded ineffective governance mechanisms. Some scholars have pointed to the assumption of goal conflict within agency theory (Raelin & Bondy, 2013), where goals are defined purely in pecuniary terms, as an example of a weak premise that could be relaxed. However, relaxing any theoretical premise within a body of theory may simply lead to its further degradation. Instead, some scholars have suggested turning to alternate theories, such as stewardship theory.

Like agency theory, stewardship theory seeks to solve for the alignment of the interests of managers with those of shareholders. The difference between these theories is in the mechanism they propose for such alignment (Choo & Tan, 2007). Whereas agency theory relies exclusively on contractual mechanisms, stewardship theory eschews such mechanisms in favour of psychological and sociological theories of motivation (Schoorman et al., 2007; Steel & Konig, 2006). Relying on classical theories of motivation from psychology, scholars have argued that managers are motivated by both pecuniary and non-pecuniary benefits (J. H. Davis et al., 1997b; L. Donaldson & Davis, 1991). Given that non-pecuniary benefits apply only to managers at the expense of shareholders (Cuevas-Rodríguez et al., 2012), managers may have a function other than utility maximising—one derived from a purely Benthamian perspective (Kahneman et al., 1997; P. Wright et al., 2001) in terms of which management behaviour is informed by what "they [intrinsically] ought to do" (Kahneman et al., 1997, p. 376) as opposed to what they can be observed to have done through their choices. Scholars who have sought to reduce the influence of agency theory within corporate-governance literature and practice have noted that the motivations of managers cannot be reduced to a choice of a single variable or utility function.

While governance scholars may correctly argue that non-utility-maximising stewards have a different utility function than utility-maximising agents, this line of reasoning misses the point: Through different lineages, both agency theory and stewardship theory contribute perspectives on the motivations behind the agentic behaviour of managers. Whereas agency theory is founded on organisational economics, governance scholars who pursue stewardship theory derive inspiration from the disciplines of psychology and sociology (J. H. Davis et al., 1997b; L. Donaldson & Davis, 1991; Hernandez, 2012). Unlike agency theory, which concerns manager who are locked in low-trust dyadic relationships, stewardship theory focusses on managers who are embedded in high-relationship networks (Grundei, 2008; Huse, 2007; D. Miller & Le Breton-Miller, 2006).

From a stewardship-theory perspective, corporate-governance literature focusses on trustworthy stewards within organisations, who act in an organisation's interests when directing and controlling its resources (J. H. Davis et al., 1997b; T. Donaldson, 2012). According to influential work by J. H. Davis et al. (1997a), stewardship theory is not intended to be a comprehensive theory; rather, it offers explanations for the behaviour of certain types of managers. Therefore, scholars of stewardship theory have recognised that work environments contain managers located on a continuum from those who are self-interested to those who are other-interested. The former likely behave as agency theorists predict, but the latter behave as stewardship theorists predict.

In an attempt to distinguish stewardship- from agency-based managers, J. H. Davis et al. (1997a) developed a typology of factors that can result in stewards worthy of high, as opposed to low, trust. First, they proposed factors from the field of psychology, including managers being motivated by higher-order and intrinsic needs, having high identification with and commitment to an organisation, and being reliant on personal power bases to influence others (J. H. Davis et al., 1997a). Second, they proposed factors from sociology, which included an understanding of managers as people who prefer involvement rather than as people who are controlled, the idea of being embedded in collectivist as opposed to individualistic cultures, and the notion of being located in lower-power distance cultures (J. H. Davis et al., 1997a). The higher the presence of these psychological and sociological factors, the more often managers may exhibit stewardship-oriented behaviours (Davis et al., 1997).

While their article primarily distinguished between stewardship managers who act in the interest of others and those who behave in their own self-interest, J. H. Davis et al. (1997a) also distinguished between principals who are motivated either by stewardship or by agency-based characteristics. This latter view supports literature that focusses on principal-principal problems (Lin & Chuang, 2011; Renders & Gaeremynck, 2012). J. H. Davis et al. (1997a) proposed that although dyadic relationships motivated by stewardship will pursue performance maximisation, those based on mutual agency will focus on cost minimisation. However, a dyadic relationship with mixed motives (e.g., stewardship and agency) will expose the party motivated by stewardship to potential betrayal by the party motivated by agency (J. H. Davis et al., 1997a).

Informed by the work of J. H. Davis et al. (1997b), Hernandez (2012) described the concept of a *covenantal* relationship, which is characterised by a moral commitment that binds managers and their organisations. A covenantal relationship is "a reciprocal promise-based agreement, containing both transactional and psychological elements: individuals recognize their fiduciary obligations to protect the interests of stakeholders and believe they are morally obliged to pursue these interests" (Hernandez, 2012, p. 174). This concept incorporates the notion of psychological contracts, which include situations where a person's behaviour is driven by a belief in mutual obligation. Therefore, managers who are motivated to preserve covenantal relationships are likely to behave as stewards willing to subjugate their personal interests to protect the long-term welfare of the collective organisation.

While both stewardship theories and agency theories primarily focus on shareholder-manager relationships, stewardship theory enables considerations of the impact of corporate governance at multiple levels of analysis. It is therefore more responsive to the integration of literature that deals with multiple dimensions of organisational constructs such as trust. Scholars of stewardship theory could improve its explanatory power by incorporating a multi-level, multi-referent perspective on trust.

Building on literature about multi-level, multi-referent trust, Fulmer and Gelfand (2012) noted that the ideal steward, as a referent, has many antecedents of trust. In addition, the antecedents of a team, as a source of trust, must also be high. Hence, the assumption of high team-trust in an individual CEO, as prescribed by stewardship theory, is a function of the salience of antecedents of source trust and referent trust. This view is supported by literature on family businesses (Eddleston, Kellermanns, & Zellweger, 2012; D. Miller, Le

Breton-Miller, & Scholnick, 2008), in which antecedents of source trust and referent trust are more prevalent.

Writing about trust antecedents, since they form the foundation for the high-trust assumption of stewardship theory, Hernandez (2012) elaborated the concept of psychological ownership. Hernandez (2012) argued that psychological ownership is preceded by cognitive mechanisms (i.e., the development of another's perspective and long-term orientation) and affective ones (i.e., development through repeated, mutual social exchange). In turn, cognitive mechanisms are preceded by control systems that promote collaborative behaviour and by collective responsibility for work outcomes. Similarly, affective mechanisms are preceded by intrinsic reward systems and by the cultivation of employees' self-efficacy and self-determination (Hernandez, 2012).

While traditional conceptualisations of stewardship assume high trust underpinned by psychological factors, some scholars have cautioned that stewardship is contingent on the moral development and motivation of trustees (Martynov, 2009). Martynov (2009) incorporated the six-stages model of moral development (Kohlberg, 1978; Trevino, 1986) in a discussion of the contingent characteristics of stewardship theory. The most salient proposition was that pre-conventional managers are more likely to be self-serving, while conventional and post-conventional managers are more likely to serve others (Martynov, 2009). These relationships are not linear, however, because the locus of control, "which is the extent to which people believe that they have control over their own fate" (Ng, Sorensen, & Eby, 2006, p. 1057), can interfere with the directionality of the relationship between moral development and stewardship. For instance, conventional managers who are externally motivated may also be self-serving.

Building from trust literature that demonstrates a link between high trust and low monitoring, Langfred (2004) showed that low monitoring, caused by high trust, is associated with poor performance among autonomous teams(Langfred, 2004). Boards of directors may be considered autonomous teams because they have discretion about how to work and to allocate functions (Langfred, 2004). Therefore, high trust between members of a board and their CEO likely leads to low monitoring of the CEO by the board. Within trust literature, the idea that boards with high levels of trust for CEOs have low levels of CEO-monitoring is supported by findings within stewardship literature that suggest a board's role is not to monitor or control but rather to support management (Choo & Tan, 2007).

Choo and Tan (2007) contributed to literature on levels of trust (i.e., degree of trust) by considering the concept of *broken trust*. In particular, they focussed on the relationship between broken trust and corporate executive fraud. According to Choo and Tan (2007), corporate executive fraud "is intentional financial misrepresentations by trusted executives of public companies, which typically involves creative methods for misusing or misdirecting funds, overstating revenues, understating expenses, overstating the value of corporate assets, or underreporting the existence of liabilities" (p. 204). They distinguished corporate executive fraud from employee fraud by noting the former relates largely to intentional financial misappropriation, and the latter concerns theft of assets.

Choo and Tan (2007) argued that the concept of broken trust builds on agency and stewardship theories and relates to the concept of *fraud triangle*, which consists of "three variables: perceived financial need, perceived opportunity, and rationalization" (p. 206). For Choo and Tan (2007), combining the concepts of fraud triangle, agency, and stewardship led to the notion of broken trust, which involves the intentional breaking of trust that has been transferred from shareholders to the executive management. In summary, much like agency theory, stewardship theory posits that high trust is negatively associated with task performance, because any affective trust that develops between boards and their managers results in a loss of psychological independence, which is necessary for the board's control and monitoring functions (Choo & Tan, 2007; Lorsch & McIver, 2008).

Following the idea that stewardship theory offers an alternative to agency theory, I argue that there are managers who are motivated by non-utility-maximising factors. Differences in motivation may be due to a variety of psychological and sociological factors. However, building on team-trust literature, I note that the consequences of high team-trust in a CEO may be more negative than positive due to low monitoring, increased interdependence, and increased risk of corporate executive fraud. Therefore, I conclude that high team-trust in individuals is detrimental to board task-performance; monitoring and control functions are often degraded through efforts to maintain positive relationships between boards and individuals.

2.4.6. *A stakeholder reflection on agency theory*

Given its dominance in corporate-governance literature, agency theory appears to offer scholars an adequate explanation of the relationship between utility-maximising principals and agents (Heath, 2009; Kim et al., 2006). However, traditional agency theory has attracted critics who range from people who simply desire to update it to those who seek to discredit it. Here, I consider another alternative theory on corporate governance and trust, and I relate it to criticisms of agency theory.

As noted in an earlier section, agency theory is built on two foundational assumptions: goal conflict between principals and agents and goal alignment between principals and society (Raelin & Bondy, 2013). According to Raelin and Bondy (2013), the first assumption is well-researched and forms the basis of policy and practice, but scholars often ignore the second assumption. The first assumption focusses on micro-level relationships, and the second shifts focus to the macro level. I suggest that in order to attend to the second assumption, scholars must consider different units of analysis and thus consider a broader perspective on human and organisational behaviour than what is common within traditional agency theory.

While the primary units of analysis within agency theory are contracts between individuals (Eisenhardt, 1989a), Jensen and Meckling (1976) noted that because corporations may be considered legal fictions, agency influences the cooperative relationships between an organisation and its suppliers, customers, and employees. As such, Jensen and Meckling (1976) argued that agency theory could be developed for higher units of analysis such as organisations. Other scholars have also suggested that at an organisational level, constructs such as utility maximisation may be replaced with the assumption of enlightened self-interest—where individuals or organisations pursue the interests of others as a path to self-interested goals (Frimer, Walker, Dunlop, Lee, & Riches, 2011; P. Wright et al., 2001).

The discussions in the preceding section indicated that scholars have good reason to call for relaxing agency-theory assumptions, but a thorough review of such reasons is beyond the scope of this study. However, I mention some of the reasons here to justify the consideration and development of alternative corporate-governance theories. For instance, scholars have noted that agency-theory assumptions are too narrow (Eisenhardt, 1989a; Hendry, 2005); set negative assumptions about human behaviour (Caldwell & Karri, 2005;

P. Wright et al., 2001); ignore complex constructs of agency from sociological perspectives (Emirbayer & Mische, 2013; Shapiro, 2005); and assume that shareholder interests align with social interests, which is not empirically supported (Raelin & Bondy, 2013). In addition, despite increases in institutional governance mechanisms with every successive global economic crisis, institutions have become harder to control, and agency problems have continued to escalate (Ahrens, Filatotchev, & Thomsen, 2011). In short, despite many scholars' claims that agency theory is comprehensive, it is only a partial theory of the firm (Jensen & Meckling, 1976).

As mentioned above, both agency and stewardship theories have sought to align the interests of management with those of shareholders via different mechanisms (Choo & Tan, 2007). This worldview has been described as a shareholder-centric view (Baker & Anderson, 2010). An alternative is the stakeholder-centric perspective. From this perspective, the success of an organisation is contingent, in part, on how the organisation manages its relationships with various groups, including shareholders, employees, suppliers, customers, and governments (Freeman & Philips, 2002; Phillips, Freeman, Wicks, & Edward, 2003), because these groups have a legitimate interest in the organisation. From a stakeholder perspective, the role of the manager is to support the objects of all stakeholders. In turn, the role of the board is to ensure that managers balance the interests of stakeholders in a fair and equitable way.

Viewed from a stakeholder perspective, corporate governance has been defined as a "process by which corporations are made responsive to rights and wishes of stakeholders" (Demb & Neubauer, 1992, p. 9). Others have argued that effective corporate governance is about ensuring that those in the upper echelons "respect the rights and interests of stakeholders" (Aguilera, Goyer, & De Castro, 2014, p. 23). Hence, corporate governance is about negotiating the rights and responsibilities of different stakeholders (Aguilera & Jackson, 2003). Linking the stakeholder perspective with perspectives in trust literature, I consider the mechanism of trust in the context of negotiations around balancing various stakeholders' interests.

This type of stakeholder perspective is more aligned with stewardship theory than with agency theory; it begins with a call for managers to be clear about value definitions and about the role of relationships in such definitions (Freeman et al., 2004). In doing so, managers from a stakeholder perspective are expected to behave agentically in the

collective interests of others rather than in their own interests. However, unlike stewardship theory, which prescribes a supporting role for the board at the exclusion of control and monitoring, stakeholder theory invokes the board's control and monitoring functions, which are also central to agency theory. Therefore, because scholars of stakeholder theory have posited that control, monitoring, and supportive behaviour are not mutually inconsistent, they have paved a way to integrate literature on trust and distrust within the corporate-governance domain (Dirks et al., 2009; Lewicki et al., 1998). In other words, control and monitoring functions invoke distrust mechanisms, but support functions rely on trust mechanisms.

The accommodation of control, monitoring, and support functions within a stakeholder-oriented organisation addresses the competing interests of management. The trustworthiness of managers determines how they respond to engaging and managing stakeholder interests. Building on the seminal work of Lewicki et al. (1998), scholars have questioned the assumption that top executives are honest and dutiful stewards (Grundei, 2008). Grundei (2008) stated:

> If a relationship is entirely built on trust, goal alignment, and cooperation, cohesion may become so strong that it prevents warranted critique of management's course of strategy . . . If critical questioning of management is neglected as a result of excessive trust, directors may not notice erroneous developments. (p. 149)

Consequently, excessive trust is undesirable because it is associated with the neglect of basic, externally-validated governance mechanisms, which are necessary to ensure that managers act in the interests of the company or of the shareholders. The concept of excessive trust is considered within literature that distinguishes between trust and distrust. According to such scholarship, excessive trust may lead to consequences similar to excessive distrust between economic exchange parties (Lumineau, 2017; Tomlinson & Mayer, 2009).

In this study, I use a framework on trust and distrust conceptualised by Lewicki et al. (1998) to interrogate types of trust (see Table 2). According to this framework, trust and distrust operate either to reduce or to increase complexity and uncertainty. Building on the argument that trust and distrust are different constructs, I argue that combining considerations of trust and of distrust mechanisms to articulate team trust in individuals could invoke effective

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control mechanisms, since control mechanisms need a minimum level of mutual trust (Das & Teng, 1998; Grundei, 2008). Combining trust and distrust in a stakeholder perspective on corporate governance may contribute to the operationalisation of optimal trust (McEvily & Zaheer, 2006). In this study, I contend that high levels of trust and of distrust (see third quadrant in Table 2) that operate simultaneously between boards and CEOs may lead to introducing and maintaining optimum levels of control and support, which should positively influence board task-performance.

Table 2

Trust and Distrust

HIGH TRUST	High-value congruence	Trust but verify
Characterised by: Hope Faith Confidence Assurance Initiative	Interdependence promoted Opportunities pursued New initiatives	Relationships highly segmented and bounded Opportunities pursued and down-side risks/vulnerabilities Continually monitored
	2 | **3**	
LOW TRUST	**1** | **4**	
Characterised by No hope No faith No confidence Passivity Hesitance	Casual acquaintances Limited interdependence Bounded arms-length transactions Professional courtesy	Undesirable eventualities expected and feared Harmful motives assumed Interdependence managed Pre-emption; best offense is a good defence Paranoia Low
	LOW DISTRUST	HIGH DISTRUST
	Characterised by No fear Absence of scepticism Absence of cynicism Low monitoring No Vigilance	Characterised by Fear Scepticism Cynicism Wariness and watchfulness Vigilance

Note. Adapted from Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). Trust and distrust: New relationship and realities. *Academy of Management Review*, 23(3), 438–458. doi:10.5465/AMR.1998.926620

2.5. Conclusion

I draw seven conclusions from the literature reviewed in this chapter. First, I conclude that while considerable literature on the trust mechanism exists, scholarship on distrust is emerging (Lumineau, 2017). Second, while literature on trust at an individual level is well established, much remains to be discovered about group-level trust (i.e., team-based, meso-level trust) (Fulmer & Gelfand, 2012). Third, for quasi-isomorphic reasons, literature in the field exhibits weak conceptualisations of group-level trust, which undermine understandings of the inter-organisational level of trust (De Jong, Dirks, & Jansen, 2016). Fourth, levels of trust and of distrust invoke different mechanisms, which affect the dimensions of trust within corporate governance (Beccerra & Gupta, 1999; Fulmer & Gelfand, 2012). Fifth, the dominant, low-trust agency theory approach, which relies on contract-based trust mechanisms (Fama & Jensen, 1983a; Jensen & Meckling, 1976), and the less dominant, high-trust stewardship theory approach, which relies on affect-based trust mechanisms (J. H. Davis et al., 1997b; Hernandez, 2012), have led to ineffective board task-performance. Sixth, through encouraging an other-oriented approach that incorporates a wide range of stakeholders (Freeman & Philips, 2002; C. W. L. Hill & Jones, 1992), stakeholder theory paves a way for considering mechanisms that allow for monitoring, control, and support functions to co-exist. In doing so, stakeholder theory incorporates the best aspects of agency-theory-based and stewardship-theory-based mechanisms. Seventh, the combined effects of trust and distrust (Lewicki et al., 1998) provide for different mechanisms to emerge among corporate-governance actors in a manner consonant with the realistic practice of corporate governance. These conclusions are not propositions, because they are not intended to explain relationships between constructs (Eisenhardt, 1989b; Sutton & Staw, 1995; Whetten, 1989). Instead, I use them to provide summary insights from this chapter, which I explore further in the following chapter on theory development and in subsequent chapters that focus on data analysis.

Chapter 3: Theory development

3.1. Introduction

Corporate-governance scholars who have had trouble accessing participants for research have resorted to making assumptions about the mechanisms of trust and of distrust and have used input-output studies that rely on proxy variables to investigate corporate governance. Because of their focus on proxies, input-output studies do not typically consider context. The large number of scholars who have attributed organisational distress to corporate-governance failure suggests that input-output studies have contributed to a-contextual perspectives, which have constrained the effectiveness of corporate-governance mechanisms. I suggest that considering context may help scholars better understand the boundaries of constructs such as trust and distrust within the corporate-governance domain.

In the previous chapter, I reviewed extensive literature on trust, as well as nascent literature on distrust, to establish how scholars have treated these constructs within corporate governance. In particular, I reviewed three dominant theories: agency theory, stewardship theory, and stakeholder theory. I identified and highlighted several gaps within the literature. First, I noted that conceptualisations of team trust within corporate-governance literature are weak (De Jong, Dirks, & Gillespie, 2016). Second, I showed that scholars' treatments of trust and of distrust within corporate governance are incomplete (J. H. Davis et al., 1997b; Jensen & Meckling, 1976). Third, I illustrated how understandings of distrust, as separate from trust, remain contested within the field (Schoorman et al., 2007) and contribute to ineffective operationalisation of trust in the corporate-governance domain. Finally, I noted that low- and high-trust theories underpinning corporate-governance literature suffer from the fallibility of universalism (Denzin & Lincoln, 2005; Jing & Bond, 2014; Mollering, 2014), which contributes to the ineffectual convergence of corporate-governance regimes across different national and cultural jurisdictions.

To address the weaknesses of reductive corporate-governance theories, I have introduced the concept of moderated trust, which includes high trust and high distrust, within literature. This mechanism extends the concept of optimal trust (Gargiulo & Ertug, 2006), which I reviewed in Chapter 2. I suggest that developing understandings of moderated trust may contribute to a more complete and realistic view of trust in the corporate-governance domain

through elucidating interactions between structural and relational dimensions of corporate governance. Therefore, in this study, I contribute to the development of moderated-trust governance theory— a form that incorporates the positive dimensions of trust and of distrust in a more realistic way than traditional corporate-governance theory. In doing so, I encourage theorists to be aware of the complexity of mechanisms such as trust and distrust, as well as of the nuance that context introduces in the study of corporate-governance mechanisms.

3.2.   Towards a theory of moderated-trust governance

Weick (1989) characterised theory-construction as disciplined imagination, because it requires theorists to follow a disciplined process while using imagination to make connections that are "interesting rather than obvious, irrelevant or absurd, obvious in novel ways, a source of unexpected connections, high in narrative rationality, aesthetically pleasing, or correspondent with presumed realities" (p. 517). Bourgeois III (1979) suggested that this process should include partitioning the field, identifying methods of theory-construction, reviewing literature, constructing theory, extending theory, elaborating ideas, and formulating conclusions. While Weick (1989) encouraged scholars to subscribe to a process such as the one proposed by Bourgeois III (1979), Weick also suggested that theorists must be more imaginative about the connections they derive from it.

According to Whetten (1989), theory must contain four essential elements. First, it must contain "factors (variables, constructs, or concepts) [that] logically should be considered as part of the explanation of the phenomenon of interest" (Whetten, 1989, p. 490). Second, it must indicate how these factors are related (Whetten, 1989). Third, theory-building must contain the "underlying psychological, economic, or social dynamics that justify the selections of factors and proposed causal relationships" (Whetten, 1989, p. 491). This aspect of theory-building addresses the assumptions and the "why" of theory—the "logic of the underlying model" (Whetten, 1989, p. 491), which outlines its propositions. Fourth, "logic [must] replace data as the basis of evaluation" (Whetten, 1989, p. 491). Taken together, theory-building includes aspects of what and how (descriptive dimensions), why (explanations), and interactions between logic and data.

In addition to process, I consider what constitutes and does not constitute theory. Theory involves "constructing abstract interpretations which can be used to explain a wide variety

of empirical situations" (Giddens, 1996, p. 16). Alternatively, according to Sutherland (cited in Weick, 1989), theory is "an ordered set of assertions about a generic behaviour or structure assumed to hold throughout a significantly broad range of specific instances" (p. 517). This study is partly influenced by these definitions because they contain guidance on how to identify a theory.

In particular, I follow guidelines by Sutton and Snow (1995), who asserted what theory is not and who provided useful boundaries for identifying theory. For parsimonious reasons, I avoid a long discussion of the prescriptions by Sutton and Snow (1995). However, they stated theory does not include references, data, lists of variables or constructs, and diagrams (Sutton & Staw, 1995). In this study, I respond to invitations in the discipline to make connections that correspond with the realities of corporate governance. I do so by following a disciplined process to investigate causal links between certain board behaviours and specific organisational outcomes. To this end, I use the critical-realist definition of theory as "the transitive objects of science; [theories] constitute the dimension that indirectly connects science with reality . . . [theories] in science can only be regarded as the best truth about reality we have at the moment" (Danermark et al., 2001, p. 23). This idea, that theory represents the best current truth, is based on the notion that real events exist independently of humans, but our understanding of these events is achieved only through interpretation. Such interpretation is based on understanding that "our knowledge of reality is filtered through language and concepts that are relative and changeable in time and space" (Danermark et al., 2001, p. 39). The theoretical gaps I have identified occur because of this partial knowledge of trust and of distrust within corporate governance.

3.3. Theoretical gaps and questions

Building on the work of Weick (1989), Whetten (1989), and Sutton and Snow (1995), I discuss the theoretical gaps I identified in the previous chapter to develop a theory of moderated-trust governance. I also suggest that conceptualisations of team trust and team distrust, as separate constructs, need to be strengthened. This conceptual clarification is intended to "generat[e] knowledge . . . that is of direct utility to an identifiable body of practitioners" (Tsoukas & Knudsen, 2005, p. 2), such as corporate-governance scholars. This concept-clarifying process is an important part of theory-building because it enables "partitioning of the field (topic) under investigation" (Bourgeois III, 1979, p. 444).

After clarifying key constructs from literature on trust and on distrust, I apply them to corporate-governance literature. During this phase, a typical realist theory-building process would articulate theoretical propositions (Eisenhardt, 1991). However, relying Whetten's (1989) idea that "not all bona fide theoretical contributions require propositions" (p. 492), I do not articulate specific propositions in this chapter. Instead, I present theoretical questions that I generated through guided engagement with the field, so I could develop propositions based on interaction between theory and empirical data in a later chapter. As I indicated in Chapter 1, one purpose of this study is to derive propositions that are grounded in theory and field data (Ackroyd, 2010; Bourgeois III, 1979; Danermark et al., 2001). The questions I present here were derived to aid proposition-development and were intended to meet the two criteria Weick (1989) identified for good theory. First, and informed by the tenets of critical realism, my questions create more diverse thought trials in the process of analysing data to move from *data* in the *empirical domain* to abstract concepts in the *real domain*. In doing so, my theory-development complies with Whetten's (1989) notion that "logic replaces data as the basis for evaluation" (p. 491). Second, my questions apply multiple selection criteria. Therefore, the theory of moderated-trust governance that I develop in this chapter is underpinned by clearly specified, generative, abstracts concepts grounded in empirical data.

3.3.1. *Weak conceptualisations of team trust*

Three factors contribute to strengthening the conceptualisation of team trust. These include building team trust from the disposition of each team member, reinforcing team trust from the experiences of team members, and buttressing team trust from the functional focus of team members. The trust of teams in individuals highlights the roles of interdependence and uncertainty among team members and between teams and target individuals (Colquitt et al., 2012; McEvily & Zaheer, 2006). Hence, to understand the mechanism of team trust, it is important to understand the boundaries of the construct.

Despite Fulmer and Gelfand's (2012) comprehensive definition of multi-level, multi-referent trust, conceptualisations of team trust (meso-level) in the field remain weak, which in turn negatively affects conceptualisations of organisational trust (macro-level). Strong conceptualisations of team trust are vital because corporate-governance actors often work within and across teams. Therefore, weak conceptualisations of team trust also weaken

practitioner and scholarly understandings of how trust regulates the behaviour of governance actors (Bachmann & Zaheer, 2006). Although individual team members' propensities to trust influence the propensity of the team as a whole, variability in propensities to trust exists among team members (De Jong & Dirks, 2012). As a result, the variability of trust among team members may be more informative than the sum of team members' propensities.

Informed by social-network literature, I suggest that higher similarities among team members are associated with lower variability in a team's propensity to trust (McPherson, Smith-lovin, & Brashears, 2006; McPherson, Smith-lovin, & Cook, 2001). Likewise, higher similarities between teams as sources of trust and individuals as objects of trust are associated with lower variability in a team's propensity to trust an individual. Therefore, team diversity may be negatively associated with team propensity to trust. This does not mean that diverse teams will not trust each other. Instead, this indicates that trust-development in a team of diverse individuals may be more complicated and protracted than in a team of homogenous individuals (S. Harvey, Currall, & Hammer, 2017; Tajfel & Turner, 1979). Therefore, research on diverse teams may require more explicit and well-considered action in order to investigate trust-development mechanisms.

In this study, I also rely on literature that underscores the importance of openness and acceptance in reinforcing team trust (Fulmer & Gelfand, 2012; Gulati et al., 2012). According to literature I reviewed in the last chapter, trust and cooperation are self-reinforcing traits (Stevens et al., 2005). In addition, positive experiences with cooperation between parties often leads to openness and acceptance. Therefore, team members with histories of positive cooperation experiences with each other and with the CEO will experience higher openness and acceptance of each other and of the CEO. Consequently, scholars have expected openness and acceptance among governance actors to contribute to developing team trust among members of boards, as well as between boards and CEOs. This has important implications for board selection and board-diversity literature.

I also incorporate the concepts of strategic and operational trust in order to understand team dynamics. Janiwicz and Noorderhaven (2006) distinguished between strategic- and operational-level trust and considered top management to be the focal point of trust at a strategic level. They observed two functions of top management that respond to strategic-level trust: First, they noted that strategic-level trust describes the role-boundaries of top

management (Janiwicz & Noorderhaven, 2006). Second, they stated that strategic-level trust invokes the marshalling and orchestrating of resources (Janiwicz & Noorderhaven, 2006). They characterised lower-level or functional management as the focal point of operational-level of trust, which they described as the domain of functional boundary spanners responsible for implementing collaboration (co-ordination and cooperation) and day-to-day execution (Janiwicz & Noorderhaven, 2006). Operational trust conforms with the notion that "trust . . . has emerged as a central mechanism to coordinate interaction in our daily lives" (Bachmann & Akbar, 2008, p. ix).

While this delineation of trust between strategic and operational functions has some persuasive appeal, it is not a compelling characterisation. It positions strategic trust as the sole the domain of senior management and operational trust as the sole focus of middle and junior management in a hierarchical organisation. Strategic-management research that focusses on technology companies has demonstrated that the function of strategy can be situated throughout an organisation rather than solely among members of the top management team (Brown & Eisenhardt, 1997; Graebner, 2009). In this study, I suggest that a more realistic characterisation is that strategic and operational trust can reside in the same top management team.

Therefore, the top management team of modern organisations can be vested with both strategic and operational trust. While hierarchy continues to feature in business, its dominance as a contributor to the governance of economic exchanges has diminished (Chadwick & Raver, 2015; Perretti & Negro, 2006). The integration of strategic and operational trust at the level of top management teams has allowed scholars to understand strategic and operational experience as antecedent to team trust in top management. Consequently, judicious behaviour among top management, which is illustrated through operational and strategic practices and consists of organisational norms and values, can be advanced as an antecedent of team trust within a particular organisation.

Fulmer and Gelfand (2012) proposed the concept of need for certainty (NFC), grounded in the theory of need for closure (Acar-Burkay et al., 2014), to illuminate team dispositions to trust. Scholars interested in trust have investigated NFC as a motivating factor and have argued that it influences information searching and processing by exchange parties. NFC has been defined as a need for firm answers when confronted with an uncertain situation (Acar-Burkay et al., 2014). In a discussion about NFC, Acar-Burkay et al. (2014) referred to

two epistemic processes: seizing (quick judgements or impressions) and freezing (rigidity or flexibility of thought). In addition, they distinguished between uncertainty-oriented individuals and certainty-oriented ones and stated that an individual's attitude towards certainty is influenced by NFC (Acar-Burkay et al., 2014). High-NFC individuals seek stability by urgently settling on judgments (seizing and freezing), while low-NFC individuals are more open to new sources of information and tend to suspend judgement (Acar-Burkay et al., 2014). High-NFC individuals are quick to trust (or distrust), which is proxy for swift trust—an unsustainable form of trust (Dietz & Den Hartog, 2006). Low-NFC individuals are slow to trust in others, but this does not hinder their ability to collaborate during early phases of trust development (Dietz & Den Hartog, 2006). This suggests that low-NFC individuals are more likely to approach trust and distrust as separate mechanisms and may be better at building sustained trust with unknown others.

According to Acar-Burkay et al. (2014), certainty-oriented individuals tend to have either high or low trust in others. Drawing on this logic, I suggest that uncertainty-oriented individuals tend to be predisposed to moderated trust, which consists of high trust and high distrust. According to Rousseau (2006), high-NFC individuals show more trust for close others and less trust for distant others, but low-NFC individuals show equal regard for close and distant others because they resolve uncertainty through an evidence-based, sensemaking approach. Therefore, I suggest that NFC moderates exchanges that rely on interpersonal closeness. Also, Acar-Burkay et al. (2014) indicated that NFC is a property of individuals. Therefore, in the context of team-trust in individuals, NFC manifests differently in each member of a team. Hence, team NFC is the aggregate of individual members' NFCs. As a result, I suggest the concept of NFC makes a valuable contribution to illuminating dispositions to trust from multiple levels of analysis, particularly from the perspective of team trust.

Table 3

Antecedents of Team Trust

	ANTECEDENT OF TEAM TRUST IN A LEADER	AUTHOR(S)
ESTABLISHED ANTECEDENTS OF TEAM TRUST	In-group categorisation and stereotyping	McKnight, Cummings and Chervany (1998)
	Trust transfer from other leaders of a particular leader	T.K. Das and Teng (2004); Stewart (2003)
	Group-threatening crisis created by deterioration of external environment	Linden (2008)
	Leadership style of the CEO	Lount (2010)
	Team members' belief about leader's competence	Fulmer and Gelfand (2012); McAllister (1995)
	Shared characteristics enabled by frequent interaction, geography, communication processes, and team conflict mechanisms	Fulmer and Gelfand (2012)
PROPOSED ANTECEDENTS OF TEAM TRUST	Variability among team members in propensity to trust	De Jong and Dirks (2012)
	Similarity among team members	McPherson, Smith-Lovin and Brashers (2006)
	Positive experiences of openness and acceptance	Boss (1978) and Zand (1972)
	Consistent performance of strategic and operational functions by the leader	Janiwicz and Noorderhaven (2006)
	Levels of need for certainty by individual members of a team	Acar-Burkay et al. (2014)

Note. Author is the source.

For completeness, I rely on the definition of team trust offered by Serva et al. (2005) and adapt it to explicitly account for intentions and behaviour. In so doing, I define team trust as a belief by members of a group about the willingness of that group to be vulnerable to the intentions and behaviours of any group member. I strengthen the conceptualisation of team trust by highlighting how important it is for board members to be aware of team similarity or diversity, team histories with positive cooperation experiences, team openness and acceptance, team and CEO consistency in strategic and operational performance, and team-certainty orientation. I add these antecedents of team trust to those established by other scholars, which I identified in the previous chapter (see Table 14 and Appendix 1). As other scholars have noted, the more we understand about the antecedents of a construct, the better our understanding of that construct will be (Dietz & Den Hartog, 2006).

3.3.2. *Re-conceptualisation of distrust: a separate construct*

Conceptualising distrust, as a construct distinct from trust, continues to be a contested activity in the discipline. When scholars resist understanding distrust as a construct separate from trust, the explanatory power of trust and distrust is undermined. Theories about agency and stewardship tend to present the two constructs at opposite ends of a continuum, which captures only a partial view of the roles of trust and of distrust in relationships between governance actors. I suggest conceptualising distrust as a separate construct also strengthens understandings of trust within the corporate-governance domain. Therefore, clarifying how trust and distrust operate as separate but complementary constructs improves the explanatory power of both.

According, Dietz and Den Hartog (2006), there are many dimensions of trust: deterrence-based or calculus-based, knowledge-based, relational-based and identification-based dimensions. These characterisations of trust by Dietz and Den Hartog (2006) build on earlier work by Lewicki and Buncker, 1996, McAllister, 1995, as well as Rousseau et al., 1998. Essentially, deterrence and calculus-based trust are associated with early stages of trust development because they informed by parties doing what they said they would for fear of punishment. Knowledge based trust is associated with later stages of trust development where the behaviours of parties in a trust relationship is informed by a prior knowledge of each other's patterns of behaviour which is then used to predict future behaviour. Identification and relational-based trust are associated with affective factors such that parties in a trust relationship are responsive to each other's intentions and wants in their efforts to represent their respective best interests.

Each dimension of trust is mapped to a level of trust: deterrence-based trust as distrust, calculus-based trust as low trust, knowledge-based trust as moderate trust, relational-based trust as high trust, and identification-based trust as complete trust. From these dimensions, Dietz and Den Hartog (2006) argued that knowledge-based trust is the lowest threshold for qualifying as trust and that deterrence- and calculus-based trust are not trust at all; they do not meet the knowledge-based trust threshold. While Dietz and Den Hartog (2006) argued that distrust falls below the threshold for trust, they still located it on a continuum of other trust dimensions. This has contributed to conceptual confusion in the discipline about whether trust and distrust are separate constructs.

Traditionally, scholars have structurally positioned trust and distrust at opposite ends of a continuum and have characterised them as functional equivalents separated only by their number of trust antecedents: From this perspective, distrust has few negative antecedents (Dietz & Den Hartog, 2006; Schoorman et al., 2007). According to this school of thought, trust and distrust cannot be simultaneously operable in a particular domain. A major alternative view is that trust and distrust are separate constructs and are therefore complements. As such, they can be simultaneously operable in a domain through the form of trusting but verifying (Lewicki et al., 1998). While the latter school of thought may provide better opportunities for explaining how trust operates in exchange relationships, it is almost conceptually indistinguishable from prior schools of thought.

From established conceptualisations of trust, we learn that foundationally, trust is an attitude. For instance, within literature on psychology, scholars characterise attitude as an unobserved evaluative property (Osborne et al., 2003) associated with traits such as benevolence (Mayer et al., 1995). Within sociology, scholars instead associate attitude with traits such as reliability (Bachmann, 2011). In contrast, literature on circumplex analysis posits attitudes and traits as part of circumplex clusters and trust as an attitude present in multiple circumplex quadrants (Alden, Wiggins, & Pincus, 1990; Gurtman, 1992). In one quadrant, trust is associated with high-dominance traits, but in another, it is associated with friendly-submission traits (Gurtman, 1992). If one draws a straight line from the dominance quadrant to the submission quadrant within a particular circumplex, Gurtman's (1992) findings support the view that distrust is the opposite of trust, as opposed to a concept distinct from it. However, by interpreting the results through focussing on specific traits within each quadrant, it is equally reasonable to conclude that distrust has its own continuum, which reflects a blend dominance, hostility, and submission factors. Therefore, Gurtman's (1992) work may support the view that trust and distrust are separate constructs.

Instead of relying on inferences, a more direct way to think about this issue is through my review of institution-based trust in the previous chapter. In it, I noted that scholars have characterised institution-based (or systems) trust as more efficient than relational-based trust (Child & Möllering, 2003; McEvily et al., 2003b) because it relies on mechanisms such as contracts, which reinforce the positive intentions and behaviours of involved parties. Whereas relational-based trust relies on repeated interactions to demonstrate positive intentions through positive behaviours, institution-based trust becomes efficient through

compliance with relevant institutional mechanisms (Gunia et al., 2011). However, within the corporate-governance domain, legal and best-practice frameworks discourage boards from trusting management (Aguilera, 2005; Aguilera & Jackson, 2010; Andreasson, 2011; Diamond & Price, 2012). As a result, corporate-governance institutions encourage boards to have institution-based distrust for management, regardless of the type of trust (e.g., calculus-based, knowledge-based) (Dietz & Den Hartog, 2006; Poppo, Zhou, & Li, 2016). Therefore, board members typically have relational-based trust for CEOs to varying degrees but also exhibit institution-based distrust for CEOs. I argue that this realistic explanation of how board members can simultaneously exhibit two types of trust or distrust for the same person (e.g. relational-based trust and institution-based distrust) has been invisible to governance participants.

Combining views on relational-based trust by Poppo et al. (2016), Dimoka (2010), Dietz and Den Hartog (2006), and Lewicki et al. (1998) with those on institution-based distrust (McEvily et al., 2003b) leads to unexpected insights about trust and distrust: they are separate at the higher end of either construct but convergent at the lower end. Dimoka (2010) relied on functional neuroimaging to demonstrate that trust and distrust invoked different brain activity. Gurtman (1992) illustrated that the circumplexes for low trust and for both low and high Machiavellianism are different. Thus, where Machiavellianism is a proxy for distrust, Gurtman (1992) concluded that trust and distrust are perpendicular to each other and converge at points of low trust and of low distrust.
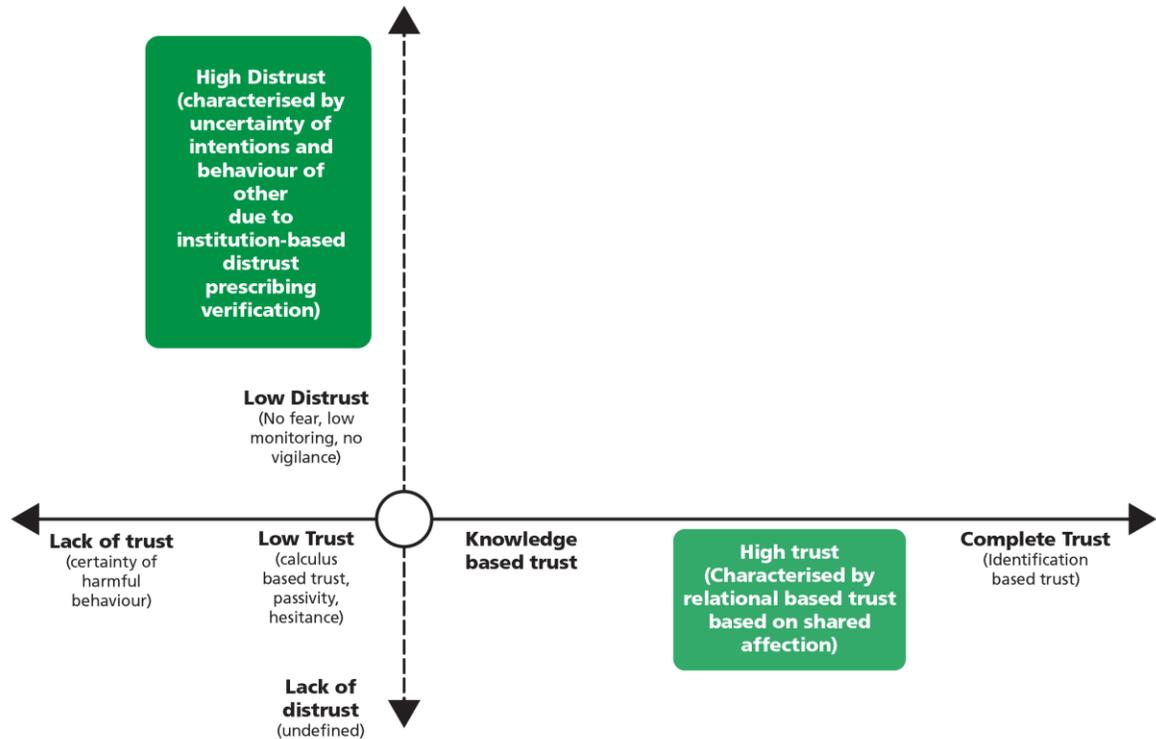
Figure 3. Trust-distrust convergence-divergence framework. Adapted by author as from literature by Dietz, G., & Den Hartog, D. N. (2006). Measuring trust inside organisations. Personnel Review, 35(5), 557–588. doi:10.1108/00483480610682299; Dimoka, A. (2010). What does the brain tell us about trust and distrust? Evidence from a functional neuroimaging study. *MIS Quarterly*, 34(2), 373–396; Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). Trust and distrust: New relationship and realities. *Academy of Management Review*, 23(3), 438–458. doi:10.5465/AMR.1998.926620

In addition, Dietz and Den Hartog (2006) argued that anything less than knowledge-based trust does not count as trust at all. Hence, low trust is not trust, and low distrust is not distrust (Dietz & Den Hartog, 2006). Therefore, low trust and low distrust are functional equivalents, and high trust and high distrust are complements. This perpendicular relationship between trust and distrust is shown below in Figure 3 (Weick, 1989).

If it is true that trust and distrust activate different parts of the brain (Dimoka, 2010) and converge at low points rather than at absolute zero trust or distrust, then Schoorman et al.'s (2007) argument that a lack of trust and distrust are equivalent constructs cannot be correct. While I agree with Lewicki et al. (1998) that trust and distrust are separate constructs, I

extend their conceptualisation of trust and distrust by clarifying that both constructs are convergent (at low points) and divergent (at high points). Building on neuroimaging literature (Dimoka, 2010), I conclude that only high trust and high distrust are separate and complementary constructs.

From a theory-building perspective, the conceptualisation of distrust as a construct distinct from trust, as initially suggested by Lewicki et al. (1998) and as advanced in this study, corresponds with corporate-governance realities (Weick, 1989): board members tend to trust their CEO but feel it necessary to verify his or her performance. By suggesting that Schoorman et al. (2007) may be wrong in their conceptualisation of trust and distrust as occupying opposite ends of a continuum, I respond to calls in the discipline to "think boldly but [respectfully] about the 'craft' and 'guild'" (Rindova, 2008, p. 300). However, by extending Lewicki et al.'s (1998) conceptualisation of distrust, I also respond to Whetten (1989), who asserted that the "mission of . . . theory development . . . is to challenge and extend knowledge, not simply to rewrite it" (p. 491). The next task is to apply this improved view of trust and distrust, as separate constructs, to corporate-governance theories in order to establish how directors can ensure effective board task-performance. To do this, I derive four sets of questions from the corporate-governance literature reviewed in the last chapter, and I present them below.

3.3.3. *The partial view of low-trust agency theory*

Agency theory has assumed low trust because this fits with its neo-classical ideological underpinnings (Jensen & Meckling, 1977). This has constrained the explanatory power of agency theory; it has applied only to those relationships characterised by self-serving agents and principals. Hence, despite scholars' claims about its universalism, agency theory has been powerful for explaining only a specific type of relationship between managers and owners. By focussing on regulating, self-serving managers, agency theory has contributed to an over-reliance on institution-based trust mechanisms (Child & Möllering, 2003; Gunia et al., 2011; McEvily & Zaheer, 2006), especially contract-based mechanisms (Jensen, 2004). This over-reliance has caused scholars to ignore relational-based trust mechanisms. Borrowing from Dietz and Den Hartog (2006), who argued that low trust (calculus-based trust) falls below the threshold of actual trust, it seems that agency theory disregards trust altogether. Scholars' disregard of trust mechanisms within agency theory may account for

why poor board task-performance has been blamed on corporate distress and failure; agency theory has relied more on formal governance than on informal mechanisms.

To illuminate other generative mechanisms that could explain poor board-efficacy, I describe the dimensions of trust that contribute to explanations of board task-performance. I borrow from trust literature and accept that trust and distrust point to different relational dimensions. Combined with the view that agency theory has low-trust content, I present the first set of research questions that help articulate how levels of trust and distrust operate in a separate but complementary manner between governance actors.

These questions are underpinned McEvilly et al.'s (2003) definition of trust, Lewicki et al.'s (1998) writings on trust and distrust, Fulmer and Gelfand's (2012) review of the antecedents and levels of trust, Acar-Burkay's (2014) notion of need for closure, and Neal and Hesketh's (2001) productivity framework. The questions also rely on Baysinger and Hoskisson's (1990) definition of corporate governance and on various typologies and views on task performance (Capon et al., 1990; Geletkanycz & Sanders, 2012; Huse, 2007; Machold & Farquhar, 2013; Pugliese et al., 2014).

Question 1a

How do the board of directors' low trust and high distrust for the CEO influence board task-performance?

Question 1b

How do low trust and high distrust between governance actors influence the motivation, knowledge, and skill of the board and of the agency-oriented CEO?

These questions respond to a call by Bachmann (2001) to consider how relational- and distrust-based contractual mechanism influence corporate governance. These questions are designed to encourage scholars to move beyond board-composition studies and distal financial performance variables. Answers to these questions may expose a portion of the dimensional structure that might reduce information- and motivation-uncertainty among governance actors, particularly in distressed organisations.

3.3.4. *The partial view of high-trust stewardship theory*

Stewardship theory has assumed high trust as an alternative to agency theory and as an explanatory framework for people who are motivated by serving others. By focussing only on regulating, other-serving managers, stewardship theory has contributed to an unhealthy over-reliance on interaction-based trust, particularly on relational-based trust (Gargiulo & Ertug, 2006). This over-reliance has caused scholars to ignore distrust- and contractual-based trust mechanisms. Dietz and Den Hartog (2006) argued that relational-based trust is informed by "a stronger positive confidence based on shared affection" (p. 563). In turn, relational-based trust may be considered a form of high trust. In addition, McAllister (1995) argued that affective-based trust develops after cognitive-based trust. Therefore, high-trust stewardship is built on the experience of knowledge-based trust.

Scholars' focus on past performance has contributed to studies that examine the development of affective-based trust between governance actors but that exclude institutional mechanisms such as contract-based trust. Unlike agency-based theory, which relies on proxy variables, stewardship theory struggles to explain various mechanisms because of the difficulty scholars have accessing corporate-governance actors for research purposes (Leblanc & Schwartz, 2007). This access-difficulty may also explain the paucity of empirical studies validating stewardship-theory claims. This suggests that stewardship theory's disregard of contract-based mechanisms may account for poor board task-performance instead of corporate distress and failure.

Alternatively, by focussing on knowledge-based trust regarding the past performance of team members and of the CEO, high-trust stewardship theory has not accounted for harmful executive malfeasance occasioned by the downsides of trust (Choo & Tan, 2007; Gargiulo & Ertug, 2006). This conclusion leads to my articulation of a second set of questions to address the role of trust levels in stewardship theory about corporate governance.

In addition to the scholars I engage to invoke questions from an agency-theory perspective, I rely on stewardship scholars such as L. Donaldson and Davis (1991), J. H. Davis et al. (1997b), and Hernandez (2012) to anchor the research questions below. I also partly derive these questions from the views on broken trust by Choo and Tan (2007).

Question 2a

How do a board of directors' high trust and low distrust in a CEO influence board task-performance, including their selection of specific control, monitoring, and supporting functions?

Question 2b

How do levels of trust and distrust between governance actors influence the motivation, knowledge, and skill of the board and of a stewardship-oriented CEO?

These stewardship-theory-related questions indicate the extent to which stewardship-oriented CEOs and boards follow a different path to board task-selection and performance and how this path influences the sustainability of organisations. The answers to these questions may indicate a generally poor relationship between stewardship trust and board task-performance, because board members may be exposed to the risk of managerial hubris (Hayward & Hambrick, 1997).

3.3.5. *The partial reconciliation of stakeholder theory*

Stakeholder theory contrasts with the input-output model of firms, in which investors, suppliers, and employees provide uni-directional inputs that are transformed within firms so that firms may transmit outputs to customers (T. Donaldson & Preston, 1995). In the stakeholder model, firms remain at the centre of a constellation of stakeholders but involved relationships are bi-directional. Building from a stakeholder perspective, I suggest that the trust relationship between a board and a CEO cannot be described in a uni-directional manner.

Four insights emerge from understanding the trust relationship between a board and a CEO as multi-directional. First, trust is bi-directional between each director and the CEO. Second, trust is bi-directional between each dyadic pair of directors. Third, trust is bi-directional in relation to the board as whole and to the CEO. Fourth, trust is multi-directional in relation to the members of the board. Informed De Jong and Dirks' (2006) work on trust variance, I suggest that the stakeholder perspective encourages a focus on understanding the effects of the variability of trust among members of a board and between a board and management

I suggest that the stakeholder approach encourages the integration of the variability of distrust within the corporate-governance domain. In doing so, this approach invokes the positive dimensions of trust, which activate supportive behaviour between board members and a CEO. At the same time, it stimulates the positive dimensions of high distrust and requires a board to monitor and control its CEO in order to verify his or her performance. Therefore, stakeholder approaches encourage the reconciliation of low-trust agency theory with high-trust stewardship theory through a trust mechanism moderated by the positive dimensions of distrust. These insights motivate the third set of questions in this study.

Question 3a

How do combinations of levels of trust and of distrust between the board and the CEO influence the selection of appropriate board tasks?

Question 3b

How do combinations of levels of trust and of distrust between the board and the CEO influence the performance of appropriate board tasks?

Question 3c

How do levels of trust and of distrust between the board and the stakeholder-CEO influence the fulfilment of the board's control, monitoring, and advice tasks?

I derive these questions from an openness to stakeholder theory, which allows for a full integration of Lewicki et al.'s (1998) trust and distrust model. The integration of this model amplifies the roles of trust and of distrust in unexpected ways and leads to unexpected connections (Weick, 1989) that occur at the point of stakeholders' divergent interests within a single organisation (T. Donaldson & Preston, 1995). Answers to these questions may lead to interesting propositions grounded both in theory and in practice and may contribute to the development of a theory of trust governance.

3.3.6. *The promising role of optimum-level trust*

In this study, I seek to develop a theory of moderated-trust governance to address gaps in extant theory about trust and distrust within corporate-governance literature. To this end, I clarify the concept of optimum trust introduced, but left unspecified, by Gargiulo and Ertug

(2006). The intersection of scholarship on trust and on corporate-governance suggests that interaction between levels of trust and effective board task-performance is curvilinear. Borrowing from Gargiulo and Ertug (2006), I indicate in Table 2 that while low (insufficient) trust and high (excessive) trust are associated with low (ineffective) task-performance, optimal (simultaneous high trust and high distrust) trust is associated with high (effective) task-performance.

In this study, I introduce the concept of moderated trust among corporate-governance actors, which is located at the point of both high trust and high distrust, to specify the characteristics of optimum trust. To further clarify the conceptual boundaries of optimum trust (see Figure 4), I propose pursuing questions derived from analyses by Fulmer and Gelfand (2012), Gargiulo and Ertug (2006), and T. Donaldson and Preston (1995).
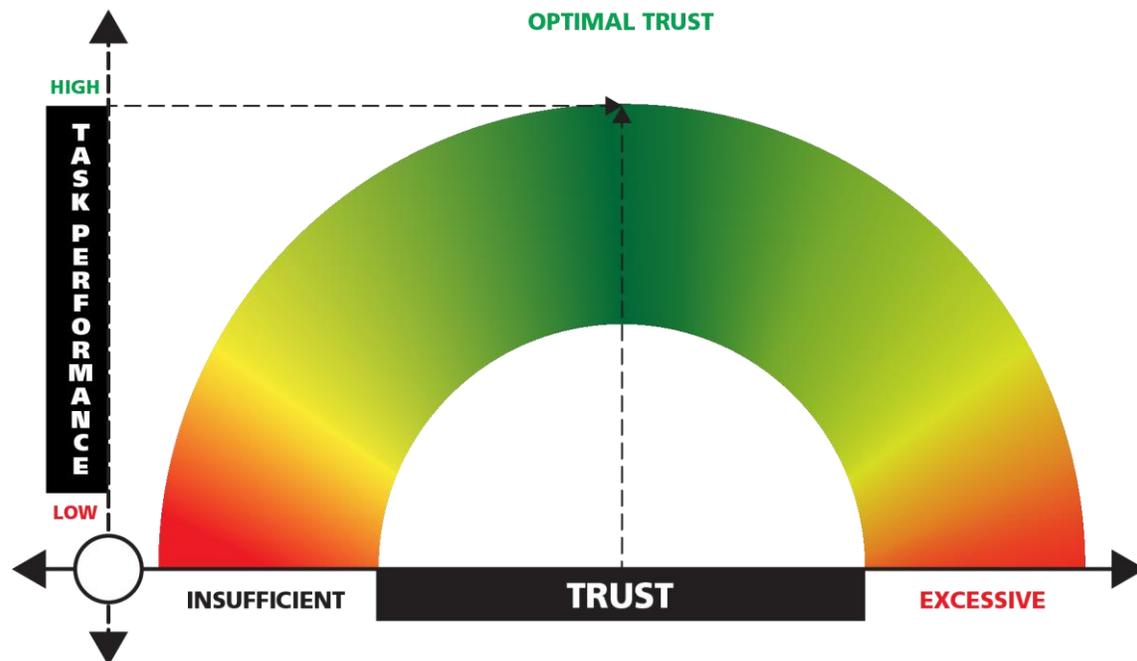
Figure 4. Trust and task performance. Adapted by author from Gargiulo, M., & Ertug, G. (2006). The darkside of trust. In R. Bachmann & A. Zaheer (Eds.), Handbook of trust research (pp. 165–186). Cheltenham, UK: Edward Elgar Publishing Limited.

Question 4a

How do high-trust and high-distrust mechanisms influence the selection and performance of board tasks?

According to Dietz and Den Hartog (2006), high trust is a proxy for relational-based trust, which comprises cognitive- and affective-based trust. They also noted that cognitive-based trust precedes affective-based trust in a hierarchical manner (Dietz & Den Hartog, 2006). Considering the roles of affective- and cognitive-based trust in board task-performance leads to the question above, which is derived partly from trust literature by Gargiulo and Ertug (2006), McAllister (1995), Acar-Burkay et al. (2014), and Schaubroek et al. (2011) and from productivity contributions by Neal and Hesketh (2001).

As I have indicated before, the concept of a need for certainty has illuminated trust levels, especially levels of team-trust in individuals, other teams, and organisations. Scholars have suggested that need for certainty between teams and individuals is affected by the extent to which cognitive-based trust (Dietz & Den Hartog, 2006) influences affective-based trust (Mayer, Davis, & Schoorman, 1995). When a leader demonstrates competency, responsibility, and reliability, it follows that such a leader will gain the affective-based trust of his or her team members.

In this instance, team members should have a low need for certainty in the individual leader, because they feel they can rely on the leader to pursue competent, responsible, and reliable strategies. In the context of corporate-governance actors, if there is high cognitive trust between the board of directors and the CEO, the CEO will likely have a high belief in his or her abilities and in team support for them. Similarly, if there is high affective-based trust between the board of directors and the CEO, the CEO will likely feel safe assuming additional risk-taking behaviour. My previous discussion about the role of NFC within trust literature suggested that specific aspects of trust fulfil a mediating role between levels of trust and effective board task-performance. The role of NFC at the intersection of trust and of corporate governance leads to an additional question.

Question 4b

How does a board of directors' need for certainty influence the task boundaries between the board of directors and the CEO?

Collectively, the questions in this section clarify the primary question of this research study: How do levels of trust and of distrust between governance actors influence the effectiveness of board task-performance?

3.3.7. *Moderated trust is optimal*

Scholars have investigated trust as a moderator-variable between leadership and team performance (Schaubroek et al., 2011). Schaubroek et al. (2011) distinguished between the moderating roles of affective- and cognitive-based trust. They argued that affective-based trust moderates the relationship between servant leadership and team psychological safety, but cognitive-based trust moderates the relationship between transformational leadership and team potency. Team psychological safety refers to a shared belief by team members that they can handle interpersonal risk within the boundaries of the team, and team potency refers to a generalised belief in a team's ability to achieve tasks (Schaubroek et al., 2011). Hence, understandings of the relationship between team trust and task performance need to distinguish between affective- and cognitive-based trust, because they influence task performance via different mechanisms: team psychological safety and team potency. In this study, I rely on the work of Schaubroek et al. (2011) to suggest distrust as a moderating variable. I expect that institutionally derived distrust will interact with cognitive-based trust to influence the relationship between board team potency and CEO effectiveness.

To build a theory of trust governance, I use the following set of assertions (Weick, 1989). First, the trust relationship among board members, as well as between board members and the CEO, ranges between knowledge-based trust and high trust, as depicted through Dietz and Den Hartog's (2006) trust continuum. Second, the institutional arrangements that underpin much of corporate-governance practice encourage boards to institutionally distrust CEOs. This suggests that the corporate-governance domain needs a perspective that positions trust and distrust as separate but complementary constructs (Dimoka, 2010; Lewicki et al., 1998). Third, by extending Dietz and Den Hartog's (2006) trust continuum and understanding distrust and trust as separate constructs, I suggest that low trust and low distrust are convergent, but high trust and high distrust are divergent. Fourth, building on seminal work by Lewicki et al. (1998), I consider the concept of moderated trust to include situations where the positive dimensions of trust are moderated by the positive dimensions of distrust. Fifth, I offer the concept of moderated trust as a conceptual definition for the

notion of optimal trust proposed by Gargiulo and Ertug (2006). Sixth, I expect the concept of moderated trust to improve the explanatory power of board teamwork (Fulmer & Gelfand, 2012), co-worker task-performance, task performance, task characteristics, and leadership, which together are concepts scholars have used to explain productivity as measured by variables such as financial performance (Neal & Hesketh, 2001). Seventh, the roles of trust, distrust, and board task-performance demand the consideration of broader stakeholder interests (T. Donaldson & Preston, 1995), which will reconcile the control, monitoring, and support functions of boards of directors.

Borrowing from the ontological perspective of critical realism, Lincoln and Guba (2005) argue that reality is "real [objective]" but "imperfectly and probabilistically apprehendible" (p. 195). Tsoukas (1989) argued that "for causal laws to be externally valid, they must be ontologically distinct from patterns of events" (p. 552). Epistemologically, from a critical-realist perspective, knowledge is justified from a modified dualist perspective (Lincoln and Guba, 2005). The perspective that trust and distrust are separate constructs underpins key assertions resonant with the modified-dualist approach of critical realism (Danermark et al., 2001; Easton, 2010).

Combined with assertions I make about the trust relationship among board members and between board members and the CEO, it follows that causal laws do probabilistically precede the event of effective board task-performance. As such, my assertions are distinct from the events and thus are correctly located in the causal chain of events. In this study, my approach to theory development accords with the guidelines suggested by Whetten (1989).

In Figure 5, I offer an initial representation of the seven-fold assertions that underpin my understanding of the role of moderated trust in board task-performance. It captures the modified-dualist approach to trust and to distrust as separate constructs. It allows for causal rules to incorporate the variance of the trust relationship among different board members in a team and between the team and the CEO. It allows for increasing understanding of the different levels of trust and of distrust and about how these levels influence the performance of individual and of team tasks in the contexts of healthy and distressed organisations. In later chapters, I developed a conceptual model representing these assertions after I articulated propositions from field data. Finally, as indicated in the citation of Figure 5, I

derived the moderated-trust concept from insights by scholars from various disciplines within literature on trust and on corporate-governance.
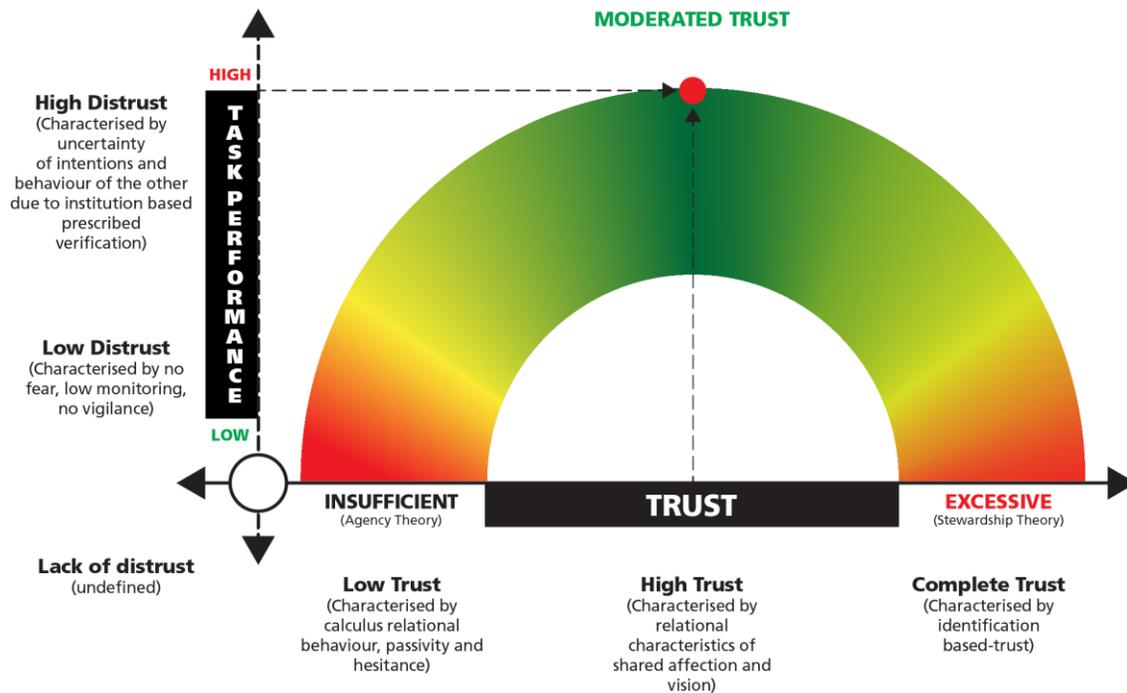
Figure 5. Moderated trust. Figure adapted from Dietz, G., & Den Hartog, D. N. (2006). Measuring trust inside organisations. Personnel Review, 35(5), 557–588. doi:10.1108/00483480610682299; Dimoka, A. (2010). What does the brain tell us about trust and distrust? Evidence from a functional neuroimaging study. *MIS Quarterly*, 34(2), 373–396; Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). Trust and distrust: New relationship and realities. *Academy of Management Review*, 23(3), 438–458. doi:10.5465/AMR.1998.926620; McEvily, B., Perrone, V., & Zaheer, A. (2003b). Trust as an organizing principle. *Organization Science*, 14(1), 91–103. doi:10.1287/orsc.14.1.91.12814; Neal, A., & Hesketh, B. (2009). Productivity in organizations. In N. Anderson, D. S. Ones, H. K. Sinangil, & C. Viswesvaran (Eds.), Handbook of industrial, work & organizational psychology (pp. 7–24). London, UK: Sage Publications.

3.4.   Conclusion

In this chapter, I used a theory-development approach to address the gaps in trust and in corporate governance identified in the previous chapter's literature review. In doing so, I made four contributions to the theory-development process. First, I strengthened the conceptualisation of team trust by arguing for a more comprehensive consideration of the antecedents of team trust. Second, I borrowed from various disciplines and applied a modified-dualist approach (Guba & Lincoln, 2005) to clarify trust and distrust as separate constructs (Lewicki et al., 1998), which conforms to corporate-governance realities (Weick, 1989). By clarifying the constructs of trust and distrust, I disagreed with some established scholars in a respectful manner (Rindova, 2008) and extended the extant scholarly understanding (Whetten, 1989) imaginatively (Weick, 1989).

Acknowledging that definitions are not theory, I have not characterised the clarification of concepts as theory (Sutton & Staw, 1995; Weick, 1989). However, I have asserted that by clarifying the constructs of team trust and of team distrust, this study has responded to a call for a disciplined approach to theory-building (Bourgeois III, 1979; Sutton & Staw, 1995; Weick, 1989) that facilitates the utility of such constructs. Invoking Whetten (1989), I did not present any propositions early in the study because I intended to use data collection and analysis methods informed by traditions of grounded theory (Oliver, 2012). In conclusion, a theorist ought to consider what is new about his or her contribution, whether this novelty will change theory or practice, what makes the "underlying logic and supporting evidence" (Whetten, 1998, p. 494) of the contribution compelling, and whether the contribution reflects sound thinking.

In the study, I tried to conform to Whetten's (1989) prescripts when I introduced the concept of moderated trust and explained how this concept enhances the utility of trust in explaining the relationship between boards and CEOs and how this relationship explains board task-performance. In the next chapter, I review relevant literature on research paradigms and methods and then describe the research paradigms and methods I used to collect and analyse data and to develop theory.

Chapter 4: Research methodology

4.1. Introduction

In this chapter, I identify and discuss the methods I used to answer this study's primary research question. The chapter's structure was influenced by Denzin and Lincoln's (2003) ideas about research processes and by Hofstee's (2011) understandings of generic research structure.   The layout of the chapter includes theoretical paradigms and perspectives, research strategies, methods of collection and analysis, and the art, practices, and politics of interpretation and presentation. Informed by Hofstee (2011), I also address research design, methodology, limitations, and ethical considerations. Integrating Denzin and Lincoln's (2003) and Hofstee's (2011) respective processes and structures, I specifically discuss (a) theoretical paradigms and perspectives, (b) research design and strategies, (c) methods of collection and analysis, and (d) quality and ethical considerations.

4.2. Theoretical paradigms and perspectives

According to Danermark et al. (2001), theoretical paradigms consist of philosophical assumptions and interpretive frameworks. According to Creswell (2013), philosophical assumptions in research refer to "the use of abstract ideas and beliefs that inform . . . research" (p. 16). Scholars have said that interpretive frameworks are social sciences theories used to frame theoretical lenses in research studies (Creswell, 2013; Danermark et al., 2001). A research paradigm addresses how a researcher "sees and acts in the world" (Denzin & Lincoln, 2003, p. 33). To describe the research paradigm underpinning this study, I briefly discuss below the various philosophical assumptions and interpretive frameworks on which I relied.

4.2.1. *Philosophical assumptions*

Scholars have stated that four major philosophical assumptions underpin scientific research, including beliefs about ontology, epistemology, methodology, and axiology (Creswell, 2013; Denzin & Lincoln, 2003). Ontological assumptions illuminate the nature of reality and its characteristics, epistemology concerns the nature of knowledge and how knowledge claims are justified, methodology relates to how knowledge is gained (deductive, inductively, abductively, or reproductively), and axiology refers to the role of researchers' values in the

knowledge-production process (Danermark et al., 2001; Denzin & Lincoln, 2003). Because this study was concerned with trust and distrust, which scholars have described as unobservable attitudes or behaviours (Lewicki et al., 2006; Mayer et al., 1995; Mayo, 2015; Osborne et al., 2003), I used a realist ontology that holds that reality exists independent of empirical experiences and observations of factual events (Bhaskar, 1978; Danermark et al., 2001; Easton, 2010; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). However, because reality is difficult to capture or describe, a disciplined and interpretive approach is necessary to understand it (Ackroyd, 2010; Danermark et al., 2001).

4.2.2. *Interpretive frameworks*

Because there are many varieties and typologies of interpretive frameworks, I used a high-level survey of interpretative frameworks to justify my selection of an interpretivist epistemology and a realist ontology. I reviewed mainstream interpretivist frameworks, such as foundationalism, positivism, post-foundationalism, and post-positivism, which have informed research within organisational studies (Denzin & Lincoln, 2003, 2005). However, I chose critical realism as conceptualised by Bhaskar (1978) as a research paradigm for this study because it facilitated the investigation of the research question that was concerned with reframing the important and poorly specified constructs of trust and distrust in the corporate governance field. Because the research question requires the suspension of normative understandings of trust and of distrust, I chose the critical-realist approach, which is a dualist approach—it accommodates both realist and interpretivist frameworks. The critical-realism paradigm allows researchers to conceptualise objects under study across multiple planes simultaneously.

Denzin and Lincoln (2005) comprehensively articulated nine historical moments within qualitative research: the traditional period (lone or classical ethnographer, positivism); modernist phase (social realism, naturalism, social participant observation, slice-of-life ethnography, and post-positivism); blurred-genres phase (symbolic interactionism, constructionism, naturalist inquiry, positivism-post-positivism, phenomenology, grounded theory, narrative inquiry, and case study); crisis-of-representation phase (critical inquiry, feminist approaches, and ethnography of colour); triple-crisis phase (postmodern experimental ethnographic writing, post-experimental enquiry, and methodical-contested present); the now phase (characterised by a government backlash against qualitative

research); and the fractured-future phase (characterised by speculation about what the future holds for qualitative research). Denzin and Lincoln (2003, 2005) also provided a typology, which included positivist-post-positivist, constructivist, feminist, ethnic, Marxist, cultural studies, and queer theory research approaches.

Denzin and Lincoln's (2003, 2005) research typologies are similar to one suggested by Lincoln and Guba (2003), which included positivist, post-positivist, critical theory, and constructionist approaches to qualitative research. In turn, Lincoln and Guba's (2003) typology is similar to Creswell's (2013), which focussed on the following interpretive frameworks: post-positivism, social constructionism, transformational postmodernism, pragmatism, critical race, feminist, queer, and disability. Some scholars have also used case-study literature to develop a research-phase typology that includes positivist-empiricism, positivist-falsificationism, interpretive-constructionism, and critical realism (Welch et al., 2011). Whereas some scholars have suggested typologies that include quantitative and qualitative methods (Creswell, 2013; Denzin & Lincoln, 2003, 2005; Guba & Lincoln, 2005; Welch et al., 2011), others have presented typologies that are decidedly qualitative. An example of the latter includes case-study methods from "naturalistic, holistic, ethnographic, phenomenological, and biographic research methods" (Stake, 1995, p. xi).

Clearly, any discussion about interpretive frameworks by a single researcher would only partially represent the many, varied possibilities available, and by all accounts, such a discussion would reveal the philosophical bias of the researcher (Creswell, 2013; Danermark et al., 2001). As such, I note that I used Creswell's (2013) typology of interpretive frameworks and philosophical beliefs (see Appendix 1) as a starting point to explicate the ontological (nature of reality) and epistemological (how reality is known) underpinnings of this study.

4.2.3. *Selecting a paradigm*

Initially, I discounted positivism as a useful paradigm for this study because its underlying ontological premise is that only one objective reality exists. While this premise may be true, it is impossible to access accurate knowledge about such a reality; at best, researchers can approximate access (Danermark et al., 2001). This study was not designed to reveal a single unknowable reality. Rather, I designed it to explore possible ways of accessing real data from different organisational governance contexts in an attempt to generate insights

that contribute to building more complete understandings of trust and distrust as constructs. While positivism is the dominant paradigm within much corporate-governance research (Eisenhardt, 1989a), it was not suited to the goals of this study.

In addition, post-positivism was inappropriate for this study, which required re-conceptualising trust and distrust within the corporate-governance domain. This, in turn, entailed opening what some scholars have characterised as the black-box of corporate governance (Huse, 2005; Leblanc & Schwartz, 2007; Pelled, Eisenhardt, & Xin, 1999; Roberts et al., 2005; Rost & Osterloh, 2010) in a way that would have been at odds with post-positivism's underlying assumptions. Interrogating this black-box required me to interact with research participants in a way that violated post-positivist epistemological beliefs, which tend to prohibit meaningful interaction between a researcher and those who are researched. Both positivism and post-positivism are concerned with input-output studies and are therefore unsuited to the kind of process study demanded by my research (Bryman, 2012; Danermark et al., 2001; Welch et al., 2011).

In contrast, the ontological assumption behind constructionism is that reality only exists as the multiple, subjective realities of involved actors. While this idea could underpin the current study, constructionism does not enable an understanding of objective reality beyond that which is co-constructed (Danermark et al., 2001; Gergen, 2009). This rendered it unsuitable for my research. While other philosophical lenses identified by Creswell (2013), such as transformative-postmodernism and critical race, feminist, queer, and disability frameworks, may offer refreshing perspectives when applied to corporate-governance research, I deemed them inappropriate for this study. Ontologically, these philosophies are decidedly emancipatory (Creswell, 2013). While this study's research is critical, it was not emancipatory. Within Creswell's (2013) typology, the only remaining paradigm is pragmatism. While pragmatism could have been used for this study, it was too flexible and did not provide the sharpest philosophical lens for the research question (Easton, 2010).

In this study, I sought to nudge agency theory's traditional input-output approaches to governance towards process-based, relational approaches underpinned by the trust mechanism (Huse, 2005; Roberts, 2001). I also sought to elucidate the role of corporate-governance mechanisms within contexts of organisational distress and to analyse corporate-governance mechanisms from the perspectives of multiple actors. In this methodological discussion, my goal is to justify my choice of research paradigm (Creswell,

2013; Guba & Lincoln, 2005) rather than to settle debates in the discipline about interpretive framework typologies (Gibbert & Ruigrok, 2010; Potter, 2008). However, I also seek to contribute to corporate-governance literature, in which agency theory dominates, by illustrating the scholarly value of considering the relational and behavioural aspects of corporate governance. To do this, I integrate corporate-governance literature anchored in the positivist and post-positivist paradigm (Bansal, 2013; Daily et al., 2003; Danermark et al., 2001; Eisenhardt, 1989a) with established process theories from organisational studies influenced by interpretivist epistemologies. Specifically, I integrate objective and subjective understandings of reality.

An important theoretical perspective on which I draw is critical realism (Bryman, 2012; Denzin & Lincoln, 2005; K. D. Miller & Tsang, 2011; Welch et al., 2011). According to Denzin and Lincoln (2005) critical realism must be distinguished from critical theory. Whereas the notion of critical within the critical-theory paradigm focusses on emancipatory outcomes, critical in the context of the critical-realism paradigm "refers to a transcendental realism that rejects methodical individualism and universal claims of truth" (Denzin & Lincoln, 2005b, p. 13). Critical realism therefore encourages methodical pluralism and contextual claims of truth. Hence, it is appropriate for this study.

4.2.4. *Critical realism*

Critical realism is a variant of the realism-interpretive paradigm, which means that critical realism acknowledges the existence of a reality independent of meanings attached to it, but critical realism also recognises that knowledge about reality is socially constructed (Audi, 2001; Bisman, 2010; Bryman, 2012; Denzin & Lincoln, 2005; Easton, 2010; K. D. Miller & Tsang, 2011; Mir & Watson, 2001a, 2001b; Potter, 2008; Tsang & Kwan, 1999; Tsoukas, 1989). Guba and Lincoln (2005) discussed the ontological, epistemological, methodological, and axiological assumptions of critical realism as follows: Ontologically, reality is objective but "imperfectly and probabilistically apprehendible" (p. 195). Epistemologically, critical realism constitutes "modified dualist/objectivist; critical tradition/community findings" (Guba & Lincoln, 2005, p. 195), which are probably true. Methodologically, critical realism encourages experimentation, falsification of hypotheses, and qualitative research in the study of reality (Guba & Lincoln, 2005). Axiologically, "values are to be included" (Guba &

Lincoln, 2005, p. 196) in a researcher's interpretation of data within a critical-realism paradigm.

Easton (2010) stated that "critical realism assumes a transcendental realist ontology, an eclectic realist/interpretivist epistemology and a generally emancipatory axiology" (p. 119) by incorporating the role of values in research. The idea that reality is objective but socially constructed was also explored by Tsoukas (1989). In his discussion of the validity of idiographic research explanations, Tsoukas (1989) provided a review of critical-realism theory that demonstrated this objective-subjective view of reality. Tsoukas (1989) distinguished between empirical, actual, and real domains. Tsoukas (1989) further described mechanisms, events, and experiences. Putting them together, Tsoukas (1989) argued that the *actual domain* is where observed events or patterns take place, the *empirical domain* is where experiences are observed or described by people, and the *real domain* is where mechanisms emerge independent of the mind. This means that events that are revealed as experiences in the empirical domain are, at best, hints of what happened in the actual domain. As such, they can be analysed to reveal generative mechanism that explain events that take place in the real domain.

Tsang and Kwan (1999) argued that two of the key contentions of critical realism are that the "reality to which scientific theories primarily aim to refer is the structures and mechanisms of the world, rather than empirical events . . . the underlying structures and mechanisms are only contingently related to observable empirical events" (p. 762). Therefore, the fact that researchers cannot observe something, such as when trust and distrust operate separately and simultaneously, does not mean that it does not exist in the real domain (Danermark et al., 2001; Tsang & Kwan, 1999).

This brief discussion of critical realism highlights the benefit of an objective-subjective paradigm that analyses events from the perspectives of actors (Denzin & Lincoln, 2005; Tsoukas, 1989) and uses an abductive process (Bryman, 2012; Easton, 2010; Potter, 2008) to generate causal explanations of events. For example, considering that people are often socialised to believe that trust and distrust exist at opposite ends of a continuum (Schoorman et al., 2007) and that trust is objectively positive while distrust is objectively negative (empirical domain ontology), it would be unproductive to ask study participants to reflect on the positive dimension of distrust. However, a critical-realist approach enables researchers to observe behaviour that occurs in the actual domain as articulated in the empirical domain

and to describe such behaviour independent of the target of the enquiry in the real domain (Ackroyd, 2010; Danermark et al., 2001; Tsang & Kwan, 1999). As a result, I selected a critical-realist paradigm to study processes of trust and distrust that emerge between various governance actors and to study task-performance efficacy; critical realism facilitates disciplined imagination in the theory-building process (Whetten, 1989).

4.3.   Research design and strategies

In the following section, I provide a brief discussion of the research approach and design used in this study. I detail the study's design, including choices I made about research strategy, unit of analysis, population, and sampling. Each choice was informed by the research questions articulated in the prior chapter on theory development.

4.3.1.   *Research approach*

While research design provides a bridge between the research paradigm and the empirical world, research strategy indicates how this bridge is traversed. Outlining research strategy requires articulating a "bundle of skills, assumptions and practices . . . that anchor paradigms in specific empirical sites" (Denzin & Lincoln, 2003, p. 36). In this study, I acknowledge that the skills, assumptions, and practices of qualitative research appear in several forms, including ethnological methods, phenomenological methods, grounded theory methods, biographical methods, narrative inquiry methods, and case-study methods (Creswell, 2013; Denzin & Lincoln, 2003; Yin, 2009). Table 4 provides a synopsis of the research strategies discussed by Creswell (2013).

Table 4

Characteristics and Criteria of Selected Qualitative Strategies

	NARRATIVE RESEARCH	PHENOMENOLOGY	GROUNDED THEORY	ETHNOGRAPHY	CASE STUDY
FOCUS	The life of an individual	Understanding the essence of the experience	Developing a theory grounded in data from the field	Describing and interpreting a culture-sharing group	An in-depth description and analysis of a case, or multiple cases
CRITERIA	Collection of stories focusing on individual experiences, multiple data sources, shaped chronologically, multiple analytical techniques, context specific	Anchored in philosophical propositions, Emphasis on phenomenon, exploration of phenomenon with a group of individuals, bracketing of researcher	A focus on phased process, theory building, *memoing* as part of theory building, interviewing as the primary source of data collection, structured data analysis, comparative analysis	Developing a complex and complete description of culture group, ethnographers start with a theory to look for patterns, extensive field-work, focus on entire culture sharing group, extended observations.	Contemporary setting, identification of a specific case, in-depth understanding, description of the case, intent to conduct case research, identification of themes and issues, theoretical models, ending with assertions

Note. Adapted from Creswell, J. W. (2013). Research design: qualitative, quantitative, and mixed method approaches. London, UK: Sage Publications.

4.3.2.   *Selected research approach*

My choice of research strategy was motivated by a combination of factors related to the study's primary research question and to data collection. After reviewing the information in Table 4, I decided the study's research question would best be served by either an ethnographic or case-study method. In this study, the upper echelons of organisations comprised the focal point of analysis and included directors (executive and non-executive), senior managers, administrators, regulators, and professional advisers. Because the actors in this study did not form a homogenous, coherent culture group, I decided that ethnographic strategies, in which a coherent culture group is investigated, observed, or interviewed to discover shared patterns, was inappropriate. Therefore, I selected the case-study method. I provide my justification for selecting this method in the Methods of Collection and Analysis sub-section below. I conclude this section with a discussion of two aspects of the case-

study method that are pertinent to research design: what constitutes the case in this study, and how was it selected? My discussions of unit of analysis, populations, and sampling address both questions.

4.3.3. *What is the case in this study?*

A key feature of the case-study method is that the research has a clear unit of analysis. A case may be an individual, team, organisation, community, nation, or concept (Creswell, 2013; Ragin & Becker, 2005), or it may be a person or program (Stake, 1995). Case studies have the advantage of enabling multi-level analysis. In other words, using the case-study method, a researcher can separately or simultaneously analyse individuals, teams, organisations, and programs.

In this study, I collected data in two primary phases and focussed on two organisational dyads. In the first phase, I collected data about the board-CEO management dyad. In the second, and only in relation to financially distressed companies, I collected data from the administrator-board dyad, because administrator powers traverse the board-CEO divide. Boards of directors, CEOs, administrators, and other stakeholders close to these key respondents formed the primary sources of data—the units of observation.

These individuals comprised the sources for the case, but they were not the case (Verschuren, 2003). The primary research question concerned trust and distrust among corporate-governance actors. I used data about the two types of dyads, collected from various actors, to formulate a view of how effectively boards performed their tasks (S. Harvey et al., 2017; Machold & Farquhar, 2013). According to Easton (2010), from a critical-realist perspective, the case-study method is ideally suited to studies that are clearly bounded and for complex phenomenon such as those within a group or organisation. Therefore, in this study, the board of directors comprised the unit of analysis.

However, I focussed specifically on investigating the trust relationship between directors and CEOs within distressed organisations, because I presumed the mechanisms of trust and distrust would be clearer in that context. I expected that relational-based trust might be a stronger motivating force in a healthy business context than in a distressed one. I also expected institution-based distrust mechanisms might be more prevalent and visible in a distressed context than in a healthy context.

I broadly define a distressed organisation as one which experiences financial and non-financial distress (Argenti, 1976; Smith & Graves, 2005), which may or may not lead to organisational failure (Mellahi, 2005). For completeness, a financially distressed company is narrowly defined as one that appears to be "unlikely to be able to pay all its debts as they become due and payable within the immediately ensuing six months or a company that appears to be reasonably likely to become insolvent within the immediately ensuing six months" (Cassim, 2014, p. 864). This legal definition of financial distress is codified in the South African Companies Act, 71 of 2008, and borrows from bankruptcy legislative regimes in the United Kingdom (UK) and the United States (US) (Loubser, 2007). Like these two other regimes, the South African bankruptcy legislative regime encourages the rescue, as opposed to the dissolution, of a company in distress. Much like the UK regime, it also encourages the displacement of management and the retention of the board within companies that are in situations of legally-defined distress (Ayotte, Hotchkiss, & Thorburn, 2014; Loubser, 2007).

To qualify for inclusion as a unit of observation in this study, a distressed company had to meet three criteria. First, it had to be a registered company as outlined by national legislation. Second, it had to comply with corporate-governance best practice, which states that the majority of the board of directors must consist of non-executive directors and that the CEO and chairman roles must be separate. Third, it had to be classified as distressed, broadly defined (as opposed to legally defined as indicated above), and have triggered "the business rescue process" (Cassim, 2014, p. 864), or it had to be classified as distressed as measured by a sharp and unexpected decline in its financial performance (Westphal & Zajac, 1998) or reputational standing (Westphal & Graebner, 2010).

4.4. Methods of collection and analysis

In this section, I describe the data collection and analysis methods I used and explain how I applied the project's research design (Hofstee, 2011). I begin with a brief explanation of the case-study method, including the criteria necessary to select cases.

4.4.1. *Collecting data through cases*

A case-study method "involves the study of a case within a real-life contemporary context or setting" (Creswell, 2013, p. 97) with the intention of capturing its complexities. According to Yin (2009), a case study is an empirical inquiry that investigates a contemporary phenomenon in-depth and within a real-life context when boundaries between the phenomenon and context are not clearly evident. Also, and according to Yin (2009), case studies deal with operational links instead of the frequency of events.

Stake (1995) referred to an educational ethnographer when he clarified that a case is "'a bounded system' drawing attention to it as an object rather than a process" (p. 2). Other scholars have distinguished between single and multiple case studies and holistic and embedded cases (Eisenhardt, 1989b; Yin, 2009). Single-case methods focus on understanding the dynamics of a single setting, and multiple-case methods focus on multiple settings. While the case-study method borrows from several paradigms and disciplines, I used a critical-realist approach to case studies (Danermark et al., 2001; Easton, 2010; Welch et al., 2011). This allowed me to ground my research in empirical facts or events, to include as many actors as possible, to facilitate quality abstractions (Danermark et al., 2001), and to emphasise flexibility and appropriateness in data collection (Burden & Roodt, 2007; Vollstedt, 2015). During analysis, I recognised the "fundamentally interpretivist character [in which a researcher was expected to include his] understanding of the subjects' understanding" (Easton, 2010, p. 124).

4.4.2. *Criteria for the case-study method*

I now draw attention to the criteria used in the case-study method not only to "induce theory" (Eisenhardt, 1989b, p. 532) but also to derive theory through an abductive process (Ackroyd, 2010; Danermark et al., 2001). Yin (2003, 2009) set out three criteria for the selection of the case-study method. First, the primary research question must be explanatory as opposed to exploratory. Second, the researcher must have no control over events. Third, the research question must be focussed on contemporary events. In the current study, I investigated how levels of trust and distrust between governance actors influenced the board task-performance of organisations in distress. The study sought to uncover and explain the mechanisms and practices of trust and distrust in different contexts. It was primarily focussed on contemporary events, specifically on levels of trust and of distrust at the upper

echelons of distressed organisations. Therefore, its research question and context complied with Yin's (2003, 2009) criteria.

Scholars have distinguished between three types of cases: intrinsic, instrumental, and collective (Eisenhardt, 1989b; Stake, 1995; Yin, 2009). Intrinsic case studies refer to a single case study of specific interest, instrumental case studies refer to single case studies of general interest, and collective case studies refer to multiple case studies of general interest. In the current study, I preferred the multiple-case-study approach because the research question required a comparison between levels of trust and of distrust in different types of distressed organisations to clarify the generative processes that underpin trust and distrust as mechanisms. I intended the comparison of different organisational contexts to expose the structure of trust and distrust mechanisms. Having discussed the case-study method and how it relates to this study, I address data collection methods in the remainder of this section.

4.4.3. *The case study: theoretical sampling*

The sampling method I used in this study followed Eisenhardt's (1989b) advice to select a "set of entities from which research is sampled" (p. 537). I did not design this project to study the total population of qualifying companies; that would have been impractical and inappropriate for the primary research question and for the critical-realist perspective (Danermark et al., 2001). Accordingly, a sample of the population formed the subject of this study. There are two main sampling methods: statistical and theoretical, or purposeful and non-purposeful, sampling (Bryman, 2012; Creswell, 2013). Statistical sampling was inappropriate for the current study. As expressed by Stake (1995), "case study research is not sampling research" (p. 4) because the objective of case-study research is to understand the case from many perspectives.

Theoretical sampling means a researcher "selects individuals and sites for study because they can purposefully inform an understanding of the research problem and central phenomenon in the study" (Creswell, 2013, p. 156). Theoretical sampling was appropriate for this study because, according to Eisenhardt (1989b), it "focuses efforts on theoretically useful cases—i.e., those that replicate or extend theory by filling conceptual categories" (p. 533).

Also, Creswell (2013) discussed different types of sampling strategies for qualitative methods, and two are relevant to the current study. First, he discussed the critical case, which "permits logical generalization and maximum application of information to other cases" (Creswell, 2013, p. 158). Second, he invoked the extreme or deviant case, in which scholars can "learn from highly unusual manifestations of the phenomenon of interest" (Creswell, 2013, p. 158). Other terms for critical case are instrumental case (Stake, 1995) and exemplar case (Yin, 2009).

The questions I investigated in this study demanded attention to a variety of actors implicated in the events leading up to, and during, organisational distress. Where possible, I collated the documentary, archival, and interview data that related to the case. I expected the study results to engage and therefore to justify the selection of the cases that formed the basis of this study; they would be theoretical exemplars (Creswell, 2013; Stake, 1995; Yin, 2009). As such, a theoretical sampling method was apposite for the current study.

I used a fourfold theoretical basis to select cases for this study (Eisenhardt, 1989b). First, I selected cases that facilitated the illumination of trust and of distrust from a multi-theoretical perspective. As I illustrate in Chapter 5 and Chapter 6, Protea and Tulip exemplified agency-theory conditions, but Fynbos and Hibiscus exemplified stewardship-theory conditions. Second, I selected cases with strong national ties, which enabled me to interrogate whether national institutional context is a significant factor within the corporate-governance domain. As I illustrate in Chapter 5 and Chapter 6, Tulip was an exemplar of a company located in an advanced economy with an established dual-board structure, while Fynbos and Protea were exemplars of companies located in a developing country and characterised by an established unitary-board structure. Hibiscus was an exemplar of a company located in a struggling economic context and operating under an established unitary-board structure. In so doing, I sought to establish whether views on levels of trust and of distrust are universal or contextual—and thus subject to challenge (Kanth, 2002). Third, I selected cases where organisations were in distressed situations rather than healthy ones. Together, these criteria formed the theoretical justifications for my selection of cases and allowed me to develop a multi-theoretical corporate-governance theory that contrasts with the regnant single-theory approach within extant corporate-governance discourse.

Fourth, discipline scholars have long held that trust (J. H. Davis et al., 1997b; Hernandez, 2012) and distrust (Eisenhardt, 1989a; Jensen & Meckling, 1976; Kim et al., 2006) have

generative powers and liabilities. However, and because trust and distrust are poorly conceptualised in the discipline, I have identified a need to re-specify trust and distrust. Therefore, by employing a multiple-case-study approach, I deviated from typical critical-realist studies, which focus on a single case. A multiple-case-study method is appropriate in critical realism, where the focus is on specifying generative processes as opposed to revealing generative mechanisms (Bygstag & Munkvold, 2011; Easton, 2010).

In the study, I used a pragmatic approach that enabled methodological pluralism (Blom & Moren, 2011; Danermark et al., 2001). Because trust and distrust have rarely been explicitly engaged within corporate-governance scholarship, I investigated multiple case studies in different contexts (different types of distress) and countries (Europe and Southern Africa) in an attempt "partly to see whether the expected [phenomenon existed], partly to see that nature of it so that [the study could] concurrently move from the abstract to the concrete" (Danermark et al., 2001, p. 51).

4.4.4. *Data collection strategies*

Given the well-known difficulty accessing board members to investigate board processes (Leblanc & Schwartz, 2007), accessing multiple boards situated in multiple countries was even more challenging. I relied on literature to develop eight strategies to overcome this difficulty.

- First, informed by the enabling role of social networks within the corporate-governance domain (Westphal & Milton, 2000), I relied on the network of directors and professional services firms in each country to connect with directors in various firms. My business network was developed over the 25 years I spent as an executive of a large financial services company with operations in more than 16 African countries and a few European and Asian countries. My network was further enhanced by my role as a non-executive director in the financial service industry and by the academic connections I have made over the past five years.

- Second, I created invitation and consent letters that suggested the study was concerned with investigating both healthy and distressed companies with the intention of comparing and contrasting the board dynamics of firms in either state (see Appendix 2). The consent letters did not indicate or pre-judge whether the recipient had been identified as

a member of a healthy or a distressed firm. Informed by signalling theory, this approach signalled that I respected the recipient's self-perception and that I was not entering the conversation with preconceived ideas (Connelly, Certo, Ireland, & Reutzel, 2011).

- Third, and also informed by signalling theory, the invitation and consent letters indicated that the study was focussed on boards of firms geographically located in Southern Africa (South Africa and Zimbabwe) and in Europe (England, Netherlands, Sweden, and Poland). This had the effect of suggesting to potential participants that the study would be valuable beyond the target firm, which seemed to have reduced potential participants' fears about harming their firms' reputations; I noted that research findings would be anonymised and generalised to companies in multiple countries and in multiple contexts.

- Fourth, I met with interviewees at least twice—the first meetings was to establish rapport, and the second or third meetings were to hold the formal case interviews. The objective of this strategy was to trigger participants' propensity to trust me swiftly (Dietz & Den Hartog, 2006).

- Fifth, in the first meeting with each interviewee, I shared my personal, historical experiences with boards of distressed organisations in order to demonstrate that I understood the subject matter (Easton, 2010). Generally, interviewees responded favourably to learning that I had served on boards of two companies that had experienced financial distress. The objective of this strategy was for me to demonstrate my credentials (Danermark et al., 2001) and to influence participants' perceptions of my trustworthiness, which is antecedent to inter-personal trust (Colquitt et al., 2007).

- Sixth, prior to the interview, I assured interviewees that the output of the study would be reviewed by an attorney or advocate to establish whether the data had sufficiently been anonymised and that no harm would come to any interviewee as a consequence of this study. The objective of this strategy was to reassure participants that I was sufficiently concerned about their wellbeing (Yin, 2009).

- Seventh, I used the life-history method for data collection, which facilitated the process of developing rapport with informants and enabled the sharing of more intimate information about trust and distrust in the current case. This proved to be an effective strategy for trust-building with participants because, in some cases, two of which are

reported in this study, the interviewees exhibited affective signs during the interviews. To deal with affective responses, I relied on guidelines within qualitative research to ensure that I neither "shared the experiences of study participants [nor moved] from the position of being an outsider to the position of being an insider in the course of the study" (Berger, 2015, p. 219).

- Eighth, when interviewees recalled their emotions or expressed pain during the interview, I paused and allowed silence to settle the emotions. By refusing to be drawn into an emotional exchange with interviewees, I assured my objectivity as a researcher. The affectively-inclined interviewees indicated that they appreciated my distanced approach during their brief episodes of emotional recall, because this demonstrated "familiarity or experiences with what was being studied" (Berger, 2015, p. 219).

The idea that investigating board processes within distressed organisations is emotional work was supported by literature (Dickson-Swift, James, Kippen, & Liamputtong, 2009; Hanna, 2018). Emotional responses could not be avoided, especially when interviewees shared authentic, intimate, and painful memories about their distressed organisations. In such situations, I had to conceal my own empathy (Hanna, 2018), which was related to similar situations from my past experiences within the corporate-governance domain, in order to maintain the integrity of the study.

These types of affective responses were an unexpected source of data, which was beyond the scope of this study, but I describe them for completeness in order to follow the recommendations of case-study best practice (Yin, 2009). Regarding types of data, Yin (2009) suggested that research should follow three principles: use multiple sources of evidence to corroborate data, create a case-study database to enable other researchers to replicate the research using data from the case study, and maintain a chain of evidence. Yin (2009) asserted that observation of these principles will improve the construct-validity of collected data. The eight strategies above are consistent with the procedures and chain of evidence that Yin (2009) proposed.

The result of these combined strategies was that I received positive responses from several companies in South Africa, Zimbabwe, the Netherlands, Sweden, and Poland. However, England did not yield a positive outcome. Failure to obtain access in England was a result of the relatively weak networks I had in that country (Westphal & Milton, 2000). While I

obtained access to companies in Poland, cultural and language barriers rendered some of the interviews inferior; my trust-building process with interviewees required a more substantial investment of time than was practical for this study. Therefore, for parsimonious reasons, I did not include some of the interviews from Poland in the study. The cases from the Netherlands, Sweden, South Africa, and Zimbabwe yielded useful results.

4.4.5. *Data collection processes*

One of the key features of qualitative research is the "local groundedness" (Miles & Huberman, 1994) of its data, which allows for theory to be developed alongside data (Corbin & Strauss, 1990; Glaser & Strauss, 2008). The groundedness of data informs the quality of observations in the empirical domain, which is separate from the actual domain, from which combined domain abstractions are made in the real domain where generative mechanisms emerge (Blom & Moren, 2011; Danermark et al., 2001).

Following the traditions of grounded theory (Burden & Roodt, 2007; Oliver, 2012) and supported by a pragmatic approach to critical-realist data collection (Danermark et al., 2001), I collected empirical, grounded data. Yin (2009) suggested that the data-collection process should begin with a researcher "asking good questions . . . [being] a good listener . . . [being] adaptive and flexible . . . [having] a firm grasp of the issues being studied . . . [being] unbiased by preconceived notions" (p. 69). Also, Yin (2009) recommended developing a research protocol that "contains the procedures and general rules to be followed in using the protocol" (p. 79). The case-study protocol should have "an overview of the case study project . . . [details of] field procedures . . . case study questions . . . [and] a guide for the case study report" (Yin, 2009, p. 81). Consistent with the research-protocol approach, I used a research instrument with tightly worded questions grounded in literature (Eisenhardt, 1989b) to guide the study's unstructured interview process.

The research questions were intended to extract information about various levels of trust and of distrust without actually using the words "trust" and "distrust" (see Appendix 3). My approach was consistent with approaches used by scholars who have developed trust-measurement instruments in the past (Couch & Jones, 1997; Lewicki & Brinsfield, 2012; Lewicki et al., 2006; McAllister, 1995). Phenomenologically, I expected this would allow me to go beyond what study participants experienced in the empirical domain and to acquire a

variety of data that, through a process of abstraction, would reveal generative mechanisms at the core of this study's focal output: moderated-trust theory.

4.4.6. *Data collection methods*

A case-study method relies on multiple sources of data and benefits from prior research questions (Eisenhardt, 1989b, 1991; Yin, 2009). Sources of data include "documentation, archival records, interviews, direct observation, participant observation, and physical artefacts" (Yin, 2009, p. 99). For the current study, I used documentation, archival records, and interviews as data sources. The use of multiple data sources aided triangulation (Bryman, 2012; Danermark et al., 2001; Eisenhardt, 1991; Guba & Lincoln, 2005; Stake, 1995; Verschuren, 2003), which in turn facilitated the study's validation criteria (Yin, 2009), also known as credibility (Creswell, 2013).

Yin (2009) identified several types of documents, including "agenda[s], announcements and minutes of meetings and other written reports . . . news clippings, and other articles appearing in the mass media in the community" (p. 103). Yin (2009) indicated that archival records include "operational records such as budgets and personnel records" (p. 105). In one case, I obtained access to all relevant archival records and documents within the target organisation. While some of this archival data was private, most was publicly available.

Yin (2009) suggested that in the case-study method, interviews are "guided conversations rather than structured queries" (p. 106). He further distinguished between three types of interviews: in-depth, focussed, and structured. In-depth interviews may be lengthy and may include personal narratives or life histories (Shah & Corley, 2006). Focussed interviews are designed to confirm and clarify data already obtained through other sources, such as documents, archival, or even in-depth interviews. Structured interviews are analogous to surveys (Yin, 2009). According to H. J. Rubin and Rubin (2005), the goal of interviewing is to obtain a "solid, deep understanding of what is being studied, rather than breadth. Depth is achieved by going after context, dealing with the complexity of multiple, overlapping, and sometimes conflicting themes, and paying attention to specifics of meanings, situations, and history" (p. 35). H. J. Rubin and Rubin (2005) also provided a typology of interviews: narrowly focussed, in-between, and broadly focussed. They distinguished between focussing on meanings and frameworks or focussing on events and processes. Yin's (2009) and H. J. Rubin and Rubin's (2005) views were consistent with the critical-realist approach

to acquiring empirical data from which to begin abstraction (Ackroyd, 2010; K. D. Miller & Tsang, 2011; Oliver, 2012).

I used H. J. Rubin and Rubin's (2005) typology to structure this study's interview guide, and I broadly focussed on events and processes. However, because the purpose of this study was to explore the structural dimensions of constructs instead of confirming or replicating their operation in different contexts (Delbridge & Edwards, 2013; Easton, 2010), I deployed a wide approach to the guided conversation within in-depth interviews. I did this to encourage interviewees to be at ease. In so doing, I followed Yin's (2009) advice and used a protocol as a guide, instead of a survey tool, for conversation.

The in-depth interview method I used in this study also incorporated elements of life history (Creswell, 2013; Shah & Corley, 2003). In this study, I encouraged interviewees to share their experiences of trust outside the boardroom with that inside the boardroom to address the possibility of social desirability bias (Fisher, 1993; Randall & Fernandes, 1991), social enhancement bias (Pfeffer & Fong, 2005), and pessimistic bias (Blanton, Axsom, McClive, & Price, 2001). Social desirability bias refers to a phenomenon where respondents "are often unwilling or unable to report accurately on sensitive topics for ego-defensive or impression management reasons" (Fisher, 1993, p. 303). Social enhancement bias refers to "the desire or observed reality of seeing oneself and by extension one's actions, traits, and attitudes in the most positive light" (Pfeffer & Fong, 2005, p. 374). Pessimistic bias is the inverse of social enhancement bias, such that "if people are pessimistic about their abilities to cope with severe misfortune, they are not motivated to enhance self-evaluations about their coping abilities... [in short, coping appears to be] one of the unusual life domains in which people are comfortable embracing their own shortcomings" (Blanton et al., 2001, p. 1629). In this study, I encountered challenges managing for both positive and negative biases.

Given that one of the study's objectives is to describe relationships as they were rather than as they ought to have been (Denzin & Lincoln, 2003, 2005), I sought to correct for self- and other-deceptions (Nederhof, 1985) by using indirect methods to obtain data (Fischer, 1993). While the historical method does not fully correct for biases, it enables respondents to think about the structural mechanisms (Bryman, 2012) of trust and distrust in different contexts and across time, instead of focussing on trust only in the current context.

4.4.7. *Researcher-target relationship*

Although I did not use participant observation as a method in this study, there were circumstances in which I acted as a participant observer. Also, I was professionally acquainted with some of the governance actors in the target organisations and therefore had to be reflexive, which scholars describe as a "researcher's conscious and deliberate effort to be attuned to one's own reactions to respondents and to the way in which the research account is constructed" (Berger, 2015, p. 221).

Yin (2009) encouraged researchers to look for unique opportunities to collect data. One advantage of having a pre-existing relationship with some of the key participants was heightened research access. The opportunity to access board members who have experienced distress, in order to better understand board processes, has eluded many researchers (Leblanc & Schwartz, 2007; Lewellyn & Muller-Kahle, 2012). Another key benefit of prior professional association with some study participants was the potential to "perceive reality from the view point of someone 'inside' . . . [which] . . . is invaluable in producing an 'accurate' portrayal of a case study phenomenon" (Yin, 2009, p. 112). As discussed earlier, in instances where no prior relationship with an interviewee existed, I used particular strategies to develop a relationship with the research participant prior to the formal interview—without shifting from being an outsider to being an insider (Berger, 2015).

In at least one of the cases, I would reasonably have been considered an insider and thus a participant observer, but I reviewed the study's entire research design (Welch et al., 2010) to mitigate any potential biases that may have arisen due to my familiarity with participants (Yin, 2009). Some of the biases for which I controlled include holistic fallacy, elite bias, finding non-existent patterns, and personal bias (Miles & Huberman, 1994). I mitigated my risk of acting as a participant observer by following a rigorous approach as espoused by Miles and Huberman (1994), as well as Yin (2009), which included journaling and memoing.

Because of difficulties gaining access to participants, particularly in the case of companies located in Zimbabwe, Poland, and Sweden, the study's data collection period was prolonged (two years). This extended data collection period created distance between data collection and formal analysis for some of the interviews. However, this temporal dimension

introduced a measure of objectivity between the empirical data and the abstracted concepts that were revealed as I followed the critical-realist approach.

4.4.8. *Data analysis methods*

Observation and description

I analysed the empirical data from the perspectives of literature on corporate governance and on trust (Danermark et al., 2001; Easton, 2010; Eisenhardt, 1989b) and specified generative processes in the real domain as opposed to the empirical domain (Ackroyd, 2010; Danermark et al., 2001). To incorporate a critical-realism paradigm in the analysis of data, I was informed by Blom and Moren's (2011) adaptation of Bhaskar's (1978) analytical methods to derive ODARC (observation/description; division and sorting; abduction/re-description/theoretical reinterpretation/concretisation) (Blom & Moren, 2011, p. 68).

I began the analysis by using critical realist researchers' methods, which provide helpful prescriptions about how to analyse qualitative data (Eisenhardt, 1989b; Miles & Huberman, 1994; Yeh, Chung, & Liu, 2011). Yin (2009) suggested four general strategies for analysing data: (a) rely on theoretical propositions, (b) develop a case description, (c) use both qualitative and quantitative strategies, and (d) examine rival explanations. I did not use the first strategy because this study did "not begin with some theory and then prove it. Rather [it began] with an area of study that [allowed] whatever is relevant to emerge" (Burden & Roodt, 2007, p. 11). The nature of the focal constructs in this study did not lend themselves to quantitative assessment, so I also did not use the third strategy. Instead, I relied primarily on the second and last general strategies suggested by Yin (2009). Yin's (2009) key argument was that once a researcher has an analytical strategy, it will guide his or her decisions about the use of other techniques and technologies.

Yin (2009) outlined several analytical techniques in his work. In this study, I used *rival explanations of data* that articulate with the positive dimensions of trust and distrust, as well as *patterns technique,* as analytical techniques because they resonated with the critical-realist paradigm (Ackroyd, 2010; Blom & Moren, 2011) and allowed for justifying novel relationships that emerged in the theory-development process. Within the discipline, theory developed from rigorous methods and techniques is generally highly regarded (Ackroyd, 2010; Danermark et al., 2001; Eisenhardt, 1989b). Over the course of this study, I expected

to develop this kind of rigorous theory because the study is based on critical realism as opposed to the simple realism (Danermark et al., 2001) that underpins most work by positivists and post-positivists.

Yin (2009) explained different analytical strategies and techniques, but Eisenhardt (1989b) wrote about how to begin the analytical process. According to Eisenhardt (1989b), researchers should begin with a priori specifications of the constructs they use, incorporate triangulation by multiple investigators, perform within-case and cross-case analysis, and build theory from existing literature. In my study, I collected data from nine case-study sites and conducted 47 total interviews. However, I included data from only four exemplar case sites in this report because "the process of data collection and analysis [was] a continuous one that [stopped] only when this iterative process [had] reached saturation" (Burden & Roodt, 2007, p. 12).

I analysed data by upper echelon function in the organisation (i.e. chairman, board member, administrator, CEO, CFO, and Chief Operating Officer (COO)) (Hambrick, 2007), and when saturation was reached (Vollstedt, 2015), I discontinued analysis. Although there is no "agreed method for establishing saturation" (Francis et al., 2010, p. 1229), in this study, theoretical saturation was reached across the multiple cases and variables after I analysed 20 interviews across upper echelon functions. The duration of the interviews ranged from 33 to 111 minutes. The highest number of codes from a single interview was 115, and the lowest was 0. My decision to limit theory-development to empirical data that had reached saturation is consistent with the view that critical-realist studies are not concerned with regularities but rather with generative mechanisms (Blom & Moren, 2011; Danermark et al., 2001; Delbridge & Edwards, 2013; Easton, 2010). In other words, inspired by critical realism, the objective of this study was to provide a plausible explanation of mechanisms that cause effective board task-performance.

While triangulating data with other interviews collected around the same time (i.e., interviewing governance actors from the same company in a short period of time) was valuable, the study did not use multiple investigators as a triangulation source. Instead, I used publicly available annual-report data sources for the triangulation process. I also used within-case and cross-case analysis in the study. This included drafting a "detailed case study write up for . . . [the] site" (Eisenhardt, 1989b, p. 540). Drafting such detailed case study write-ups contributed to my ability to uncover unique patterns.

I analysed data in this study using the Atlas.ti system. The process of analysing data using computer-assisted qualitative data-analysis tools such as Atlas.ti typically follows a four-stage model: (a) preparing the data files, (b) coding the data, (c) sorting the data, and (d) "discovering patterns, processes, sequences, or typologies" (Fries, 2014, p. 15). Through each stage, I took into consideration prior scholarly knowledge about constructs related to the study's primary research question in order to discern whether the study's data was confirming or challenging extant conceptualisations.

In the first stage of analysis, I prepared the data by ensuring the interviews were tape recorded with the consent of interviewees. They recordings were then transcribed by a professional transcriber, who operated under a signed non-disclosure agreement because of the sensitive nature of the research. Interviews were transcribed within one week of collection to facilitate anonymising the data and maintaining the integrity of each case (Gittell, 2006). In total, 63.5 hours of interviews were transcribed and reviewed at least twice.

I also made reflection notes (memos) as I reviewed data during the preparation phase (Corbin & Strauss, 1990), which occurred before and during the coding process. Such notes aided my familiarisation with the data in relation to the literature and to the primary research question. Memoing was popularised by Glaser and Strauss (2008) in their description of grounded analytical methods, and Miles and Huberman (1994) described memoing as an important, reflexive element of the theory-building process.

Miles and Huberman (1994) provided guidelines for early data analysis, such as developing a contact summary sheet after each field contact. They also suggested the use of a conceptual framework developed from literature to develop codes, which they defined as "tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study" (Miles & Huberman, 1994, p. 56), and to code data from the field and other sources. Miles and Huberman (1994) provided a detailed description of the coding process and a helpful explanation of pattern coding, which is a technique also supported by Yin (2009). Finally, Miles and Huberman (1994) described the process of drafting interim case summaries and vignettes. Another key analysis technique suggested by Miles and Huberman (1994) is within-case analysis and display. During the analysis period, I followed as many of the prescriptions and guidelines by Miles and Huberman (1994) as possible.

In the study, I used inductive, grounded theory to interweave analysis and data collection (Burden & Roodt, 2007; Corbin & Strauss, 1990; Eisenhardt, 1989b; Glaser & Strauss, 2008; Oliver, 2012). According to traditions of grounded theory, each concept is "considered provisional . . . [and has] to earn its way into theory by repeatedly being present in the interviews" (Corbin & Strauss, 1990, p. 7). Therefore, I derived concepts from my data, which were coded, and assigned "a label to a data segment" (Friese, 2014, p. 82). The second stage of my coding process involved descriptive and conceptual analyses (Friese, 2014). The descriptive phase facilitated a deeper, more structured understanding of how data articulated with the research questions. At this stage, I used an open-coding approach to reveal theoretical insights close to the data (Corbin & Strauss, 1990; Eisenhardt, 1989b), and this yielded 1044 codes.

In the third stage of analysis, I observed, defined, and recoded the codes in order to condense them where justified. After two more rounds of within-case analysis, in which I discerned similarities and differences in case-study data, this process resulted in 641 final codes. In doing so, I followed traditional grounded-theory approaches to working with categories of data and not with data itself, so that "categories [can] be developed and related" (Corbin & Strauss, 1990, p. 7). The process I used to condense codes from 1044 to 641 was facilitated by writing and comparing code definitions (Eisenhardt, 1989b; Friese, 2014), which enabled a first-level abstraction from data to abstract concepts.

Reported findings

In this study, I compared "emergent concepts, theories, or hypothesis with extant literature" (Eisenhardt, 1989b, p. 544). Through incorporating literature into my data analysis process, I was able interrogate rival explanations consistent with critical realism (Danermark et al., 2001; Easton, 2010). However, my discussion of the study's findings was influenced by critical realism (Blom & Moren, 2011). I subjected the themes that emerged from my coding process to manual axial coding, which is a "process of relating categories, to their sub-categories" (Burden & Roodt, 2007, p. 15). I did this to verify the categories that underpinned the core themes that I derived using Atlas.ti. As previously indicated, I conducted 47 interviews in five countries, three of which were in Europe, and two of which were in Southern Africa. Because code saturation occurred after 20 interviews, I adapted the theoretical code saturation to the study's design considerations, which were aimed at

resolving access problems (Francis et al., 2010). I also subjected the findings of this study to the abductive process of critical realism.

The case-study method I used was iterative (Easton, 2010), which involved moving back and forth between different stages of the research process and between concrete and abstract thinking (Danermark et al., 2001; Eisenhardt, 1989b; Friese, 2014; Verschuren, 2003). According to Easton (2010), "the research process was one of continuous cycles of research and reflection. The final result is the identification of one or more mechanisms that can be regarded as having 'caused the events'" (p. 128). The analysis phase of this study continued well into the writing phases of Chapter 5 (within-case analysis), Chapter 6 (cross-case analysis), and Chapter 7 (discussion). In so doing, my analytical process resonated with the abductive principle of critical realism.

An important note is that I excluded the results of two case studies from this study's analysis because of litigation associated with one target company and because of corporate action related to another; I could not assure sufficient anonymity for the seven individual directors and members of management in these two companies. In doing so, I tried to exhibit reflexivity and to act with integrity in order to protect the wellbeing of study participants (Berger, 2015). Therefore, I ultimately based this study's analysis on four companies and 20 interviews. Despite the necessity of excluding two case studies, the results of the cross-case analysis were significant: They provided empirical support for the hypothesised relationship between the positive dimensions of trust and of distrust among corporate-governance actors. Significance is an important criterion for theory developed using grounded analysis (Corbin & Strauss, 1990; Oliver, 2012), and it underpinned the multiple-case-study method I used.

4.5. Quality and ethical considerations

4.5.1. *Data quality considerations*

Yin (2009) described four realist tests that are "commonly used to establish the quality of empirical research" (p. 40). The four tests include construct validity, internal validity, external validity, and reliability. External validity applies at the research-design phase. Construct validity and reliability apply at the data-collection stage. Internal validity applies at the data-analysis phase. External validity is concerned with the generalisability of studies, and analytical generalisability is distinguished from statistical generalisability (Yin, 2009). Construct validity deals with operationalisation measures. Reliability attends to the repeatability of the study. According to Yin (2009), internal validity is relevant to explanatory case studies and is concerned with theoretical inferences that arise from the application of analytical tools to case data. Welch et al. (2010) argued that "many of the procedures that Yin (2009) advocates . . . are adaptations of experimental techniques" (p. 746). This might explain why scholars characterise Yin's (2009) techniques as rigorous. In Table 5, reproduced from Yin (2009), who cited Kidder & Judd (1986), I provide a synopsis of each of these tests.

Table 5

Criteria for Judging the Quality of Research Designs

TEST	EXPLANATION
Construct validity	Identifying correct operational measures for the concepts to be studied.
Internal validity	For explanatory and causal studies only not for descriptive or exploratory studies. Seeking to establish causal relationships.
External validity	Defining the domain to which a study's findings can be generalised.
Reliability	Demonstrating the operations of a study – such as the data collection procedure – can be repeated, with the same results.

Note. Adapted from Yin, R. K. (2009). *Case study research: Design and methods (applied social research methods).* London and Singapore: Sage

Lincoln and Guba (2003) critiqued positivist and post-positivist studies focussed on "conventional benchmarks of 'rigor' [such as] internal and external validity, reliability and objectivity" (p. 257). Creswell (2013) discussed various approaches to validation in order to establish research credibility based on trustworthiness as the key criteria. Creswell (2013) argued that scholars overemphasise validation in case-study research. Lincoln & Guba (as cited in Bryman, 2012) and Creswell (2013) introduced the concept of authenticity and used credibility instead of internal validity (how believable findings are), dependability in place of reliability (how likely the findings apply at other times), transferability instead of external validity (how applicable findings are to other contexts), and confirmability in place of objectivity (the extent to which the researcher has allowed his or her values to intrude). Each of these quality tests is intended to be more inclusive of research participants in the spirit of a constructivist paradigm.

Creswell (2013) identified eight validity strategies: (a) prolonged engagement and persistent observation, (b) triangulation, (c) peer review and debriefing, (d) negative case analysis, (e) clarifying research bias, (f) member-checking, (g) rich thick descriptions, and (h) external audit. I used all but one of these strategies. The strategy of prolonged engagement and persistent observation was not possible, since the phenomenon I studied was substantially historical. Of the other strategies, I particularly relied on triangulation, rich thick descriptions (Creswell, 2013; Stake, 1995), and external audit of the research method (Denzin & Lincoln, 2003).

Critical realists are suspicious of both inductive and deductive theory-building and instead propose abductive theory-building, which entails perceiving a "mismatch between an empirical observation and an existing theory, leading to 'redescription' or 'recontextualisation' of the phenomenon" (Welch et al., 2011, p. 748). The abductive theory-building process resonated with my empirical observation that trust seemed to play an important role in board selection and operation but was under-represented within regnant corporate-governance theory.

Critical-realist approaches rely on a subjective search for causes, provide an explanation of causal mechanisms, present contingent and limited generalisations, and integrate context into the explanation (Welch et al., 2011). In this study, I followed an approach that espouses generalisation to theory as opposed to a population (Ackroyd, 2010; Danermark et al., 2001; Yin, 2009). This approach is supported by Easton (2010), Welch et al. (2010), and

Verschuren (2010). I also augmented some of the quality tests by Yin (2010), which are closer to positivist or realist approaches, with the constructivist perspectives of Lincoln and Guba (as cited in Bryman, 2012) and of Creswell (2013). This blended approach was well-suited to the methodological experimentation of critical realism.

4.5.2.   *Ethical considerations*

Ethical considerations in research relate to how people are treated during the research process and how researchers interact with participants (Bryman, 2012).   Ethical considerations involve discussions of axiology (Guba & Lincoln, 2005). Creswell (2013) presented a typology of ethical issues in qualitative research, which included ethical issues at different phases of the research, different types of ethical issues within each ethical phase, and suggestions of tactics to address each of the ethical issues. Creswell's (2013) key message was that ethical issues pervade every phase of the research process.

4.5.3.   *Philosophical ethical aspects*

Christians (2005) discussed ethics in the context of qualitative research in the Enlightenment period of the 18th century. A key feature of this period was the individual autonomy doctrine, in which "individual self-determination stands at the centrepiece" (Christians, 2005, p. 140). A consequence of the autonomy doctrine, according to Christians (2005), was an increase in ethical codes from professional and academic associations, which broadly addressed notions of "informed consent . . . deception . . . privacy and confidentiality . . . and accuracy" (pp. 144–145). Christians (2005) also described three principles of the U.S. National Commission of Human Subjects in Biomedical and Behaviour Research, which are "respect for persons, beneficence, and justice" (p. 146). These principles are a re-conceptualisation of the four professional ethics principles previously mentioned by Christians (2005). However, Christians (2005) concluded his philosophical discussion of research ethics by critiquing the value-neutral approach espoused by dominant positivist research, and he favoured a more contextual perspective.

Similarly, one of the key ethical considerations suggested by Bryman (2012) is whether a researcher adopts a universalistic perspective, a situational-ethics perspective, a pervasive-ethical-transgression approach, an anything-goes attitude, or deontological versus

consequentialist views. Bryman (2012) explained these five philosophical ethical considerations:

- A universalistic perspective holds that "ethical precepts should never be broken" (p. 133).

- A situational-ethics perspective is applied when each deception is "considered on a case-by-case basis" (p. 133) and when researchers exhibit an attitude that the end results of research justify the means.

- A pervasive-ethical-transgression approach is based on an acknowledgement that participants are not given all the necessary information to make an informed choice.

- An anything-goes view espouses flexibility in decision-making, similar to variants of situational ethics.

- A deontological approach assumes that certain acts are right or wrong in and of themselves.

- A consequentialist approach focusses less on acts but more on the goodness or badness of the consequences of acts (Bryman, 2012, p. 133).

I applied the situational-ethics perspective in this study, which I describe in the Adopted Ethical Approach section below.

4.6. Four ethical principles

In addition to the philosophical ethical considerations discussed above, Bryman (2012) also identified four research principles developed from the work of Diener and Crandall (as cited in Bryman, 2012), which are largely focussed on the data-collection phase of research. The four principles discussed by Bryman (2012) include "1) whether there is harm to participants; 2) whether there is a lack of informed consent; 3) whether there is invasion of privacy; and 4) whether there is deception involved" (p. 135).

These principles are similar to those mentioned by Christians (2005). Bryman (2012) accompanied each of these four ethical principles with suggestions about how to address them, which were based on a combination of UK law (e.g., Data Protection Act of 1988),

codes of practice (e.g. Economic and Social Research Council's Framework for Research Ethics), and the ideas of various scholars. I list some of Bryman's (2012) proposed ideas below as examples:

- Anticipate and guard against negative consequences for research participants.

- Maintain the confidentiality of participants' records.

- Consider harm to the researcher as much as harm to the participants.

- Address informed consent issues as much as is practically possible, including the use of informed consent forms.

- Respect the privacy and anonymity of participants with a view to avoiding invasion of privacy.

- Gain legal access to organisations to avoid deceiving participants as much as possible.

- Obtain ethical clearance from the organisation sponsoring the study in compliance with national standards (Bryman, 2012).

The ethical considerations and principles discussed by Bryman (2012), which build on practice and theory, clearly indicate the importance of ethics in the research process. In this study, I worked on the assumption that a strong ethical basis is fundamental to research. However, flexibility is unavoidable, given the challenges of accessing and dealing with actors in the upper echelons of organisations.

4.7. Adopted ethical approach

In choosing an ethical approach appropriate for the current study, I considered different perspectives by Bryman (2012) and Christians (2005). I supplemented these ethical perspectives with the University of Pretoria's Code of Ethics for Research because the university sponsored this study. The University of Pretoria's Code of Ethics for Research is a comprehensive document covering, among others, the rights and responsibilities of researchers, the rights of human participants, and basic ethical principles related to research with human participants. Consistent with work by Bryman (2012) and Christians (2005), the

University of Pretoria's Code of Ethics for Research highlights principles of social responsibility, justice, benevolence, respect for the individual, professionalism, refraining from discrimination, refraining from abusing supervisory authority, and refraining from sexual harassment. While many of the University of Pretoria's principles align with ethics literature by Christians (2005) and Bryman (2012), some have a decidedly South African foundation (e.g., the principle of refraining from discrimination that refers directly to the Labour Relations Act and the section dealing with researchers and South African society).

Drawing on reviewed literature, and given the complexity of the research question, I followed a situational-ethics approach and deemed it the best fit with the critical-realist perspective underpinning this study. I also adopted those of Bryman's (2012) guiding principles that are consistent with a critical-realist perspective, and I adapted them for the South African context and to fit the country's Protection of Personal Information Act of 2013, parts of which came into effect in April 2014. From a practical perspective, I also followed the University of Pretoria's ethical guidelines when applicable.

A key ethical consideration in this study was that it had the potential to result in harm to respondents by virtue of the legal consequences that could arise from the study. Risks of harm to either the researcher or to research participants must be carefully considered at every stage of a study. The University of Pretoria's Code of Ethics for Research was instructive in this regard. In addition, I employed a crucial risk-management tactic in this research: I subjected the analysis and discussion sections to an audit by a senior legal counsel with expertise in data protection and privacy laws in order to provide assurance that the steps I took to mitigate risks were meaningful and effective. I designed these additional measures to comfort participants and reassure other scholars that I made every effort to ensure no harm would come to research participants. Following advice from the senior legal counsel, I decided to exclude data that was potentially legally privileged and that could harm interviewees, despite the fact they had consented to the use of such data.

4.8. Conclusion

Corporate-governance literature has been dominated by studies that focus on deductive as opposed to inductive research (Bansal, 2013). Even less prevalent qualitative-based studies, informed by case-study methods aimed at inducing theory (Eisenhardt, 1989b), have not escaped the normative, positivist orientations of deductive scholarship (Gao &

Bansal, 2013). Generally, this means that manners of accessing knowledge (epistemology) have been privileged over the nature of knowledge (ontology) (Bansal, Smith, & Vaara, 2018). This study was informed by a critical-realist approach, which means that it privileged both ontological and epistemological considerations (Ackroyd, 2010; Bisman, 2010; Danermark et al., 2001). In doing so, this study responded to scholarly calls for greater variety in approaches to qualitative research methods (Bansal & Corley, 2011) within corporate governance.

Adopting the critical-realist approach was crucial to investigate the mechanisms of trust and distrust in the corporate-governance industry. I developed and executed strategies to access directors of companies, which allowed me to collect empirical data using the multiple-case-study method across multiple countries. In turn, I was able to develop theory using an abductive method based on concepts grounded in empirical data. While this study was not intended to be grounded-theory research, it was informed by traditions of grounded theory.

In conclusion, many of the rigorous research methods I discussed throughout this chapter informed how I addressed ethical considerations. This holds particularly true for those intended to avoid and mitigate harm to participants, which I addressed at every stage of the study's research, including design, data selection, data collection, data analysis, and results-reporting (Creswell, 2013). The strong ethical foundation of this study is illustrated throughout this final research report through its focus on the reflexive inclusion of values, affective considerations, and decisions about excluding data that may harm study participants. As required by the axiological assumptions of critical realism (Guba & Lincoln, 2005; K. D. Miller & Tsang, 2011), I have noted the ethical challenges I faced, the strategies I used to respond to such challenges, and the ethical choices I made in favour of study participants.

Chapter 5: Within-case analysis

5.1.   Case protocols

The four cases constituting this study include organisations in three countries — three were based in Southern Africa, and one was based in Europe. I analyse each case in this chapter using the protocol below. I apply the same variables to each case to ensure analytical comparability and consistency. Because the study concerns trust and distrust among governance actors within distressed organisations, I conduct the analysis across multiple levels of governance actors within the selected organisations (Fulmer & Gelfand, 2012). As a result, I analyse levels of trust and of distrust within boards, within management, and between management and boards.

At the level of the board, I focus on the chairman of the board, a role that has received much attention from scholars in the discipline (Bezemer, Nicholson, & Pugliese, 2018; A. P. Kakabadse et al., 2010; Morais et al., 2018). At the level of management, I focus on the Chief Executive Officer (CEO) and either the Chief Financial Officer (CFO) or the Chief Operations Officer (COO), depending on which was at each company. While the Chairman-CEO dyadic pair has been a focus of attention within the discipline (Bezemer et al., 2018; Chitayat, 1985; A. P. Kakabadse et al., 2010; N. K. Kakabadse & Kakabadse, 2007), the CEO and CFO represent a dyadic pair that is increasingly attracting the attention of scholars (Aguilera, 2005; Menz, 2012; Zorn, 2004). The chairman and CEO are roles that span boundaries between the board of directors and the executive management team. As I proposed in earlier chapters, I use multi-level analysis to illuminate relationship dynamics in the boardroom in order to establish the board's effectiveness in making decisions that resolve organisational distress (Bezemer et al., 2018). To this end, the two main themes that I analyse in this chapter emerged from my use of the traditions of grounded theory (Corbin & Strauss, 1990) as applied by critical realists (Oliver, 2012), and they include

1. *Top management team role bricolage*, which is informed by the concepts of top management team (Hambrick, 2007) and bricolage, which was conceived in social anthropology (Lévi-Strauss, 1962), is often applied within entrepreneurship literature (Valliere & Gegenhuber, 2014), but is rarely used in the corporate-governance field (Aguilera, Judge, & Terjesen, 2018; Williams & Seaman, 2010). The bricolage concept

as used in this study informs the reframing of crucial top management team roles to enable board task-performance. In turn, I ground this theme on code categories focussed on (1) the basis of the relationship between a chairman and a CEO, which was consistent with discipline enquiry within corporate governance (Bezemer et al., 2018; Morais et al., 2018); (2) the attributes of CEOs in distressed organisations, which was consistent with discipline enquiry within top management theory (Buyl, Boone, Hendriks, & Matthyssens, 2011); and (3) and the attributes of Chairmen in distressed organisations, which was consistent with discipline enquiry within corporate governance (Bezemer et al., 2018; N. K. Kakabadse & Kakabadse, 2007).

2. *Relational construct potency,* which is informed by the notion that generative mechanisms that cause events have both powers and liabilities (Ackroyd, 2010; Danermark et al., 2001). Likewise, I grounded this on code categories that focussed on (1) the influence of trust and of distrust on board effectiveness, which was consistent with multidisciplinary enquiry within literature on corporate governance and on trust (Cuevas-Rodríguez et al., 2012; Huse, 2005; Roberts, 2001; Sitkin & Roth, 1993); and (2) levels of board effectiveness, which was consistent with discipline enquiry within corporate governance (C. M. Dalton & Dalton, 2005; Wertheim, Neill, & Clements, 2016).

Whereas in this Chapter, which focusses on within-case analysis, each of the categories that underpin the two broad themes are grounded in codes that are not necessarily common to all four cases, in next chapter (Chapter 6), which focusses on a comparative analysis of the cases reliance is placed on codes common to all four cases. In the current Chapter, for instance, the CEO-role category consists of different but proximal codes in each of the code categories (Eisenhardt, 1989b; Friese, 2014). The two broad themes illustrate how the deliberate choices made by governance actors in each case study, and in their respective construction, produce different generative mechanisms that cause positive or negative organisational outcomes in their respective contexts. Therefore, these themes encourage researchers to be circumspect about any theories that ignore the complexity of context in their claims to provide universal explanations of events (McKelvey, 2004) within the corporate-governance field (Aguilera et al., 2018). The two main themes I underscore in this study are consistent with the critical-realist approach, grounded in a post-modernist approach to reality, which encourages "a shift in the conceptualization of reality" (Valliere &

Gegenhuber, 2014, p. 7) from description of observed reality to abstraction, redescription, and abduction with a view to theorising (Ackroyd, 2010; Blom & Moren, 2011).

However, in this chapter, I present the results of my analysis at the level of code categories as opposed to the level of themes in order to illustrate how the moderated-trust governance theory I introduce in this study was derived from empirical data (Ackroyd, 2010; Danermark et al., 2001; Easton, 2010; Oliver, 2012). I discuss the abstraction of the crucial concepts and generative mechanisms that inform the theory of moderated-trust governance within subsequent chapters, especially the summative chapter. Accordingly, I present the empirical results in this chapter according to the following outline structure:

- the influence of trust and of distrust on board effectiveness (underpinning the *relational construct potency* theme);

- the basis of the relationship between a chairman and a CEO (underpinning the *top management team bricolage* theme);

- the attributes of CEOs in distressed organisations (underpinning the *top management team bricolage* theme);

- the attributes of Chairmen in distressed organisations (underpinning the *top management team bricolage* theme); and

- levels of board effectiveness (underpinning *relational construct potency* theme).

For presentation purposes, therefore, the relational construct potency sub-categories buttress the top management team bricolage sub-categories. This thematic categorisation provides a framework for comparing within-case analyses (Eisenhardt, 1989b). Throughout the chapter, I supplement my descriptions of thematic categories with data from respective cases, including data from my interviews with governance actors and data from archival documents that further support, complement, and validate the interview data. In situations where data was unavailable to support a category that I deemed relevant for a specific case, I explain the significance of both the category and the absence of the data. I also use codes that I derived from my interviews with governance actors to support my thematic analysis.

In this chapter, my analysis for each case study begins with a brief description of anonymised information about the company, including (a) a case-analysis summary, (b) the company background, (c) types of organisational distress present, and (d) the company's board structure. Where possible, I consistently present the content of the analytical and descriptive thematic categories. Any deviation from presentation consistency illustrates the uniqueness of the drivers of behaviour within the specific case-study organisation. Therefore, I draw attention to such deviations because of their analytical value.

As a variable, board structure offers a counterpoint to trust and distrust as *explanans* of board effectiveness. The structure of a board may offer some insight into power dynamics within a company. While power is not the focal variable in this study, I witnessed its effects in the organisations I describe below. I make this point to remind readers that trust and distrust, as variables, operate alongside others (Danermark et al., 2001). During this study, I uncovered new variables, other than those discussed in the literature review, which I elaborate in Chapter 7 (discussion) so that their roles in the study are properly located and grounded.

5.2.   Fynbos Insurance Company Limited

5.2.1.   *Company description*

Fynbos is an unlisted, regulated insurance company in South Africa that is a subsidiary of a listed investment holding company. For more than 50 years, Fynbos has operated as a specialist provider of insurance products to the low-income segment of the country's market, which is dominated by black South African clients who have been largely excluded from the financial system because of repressive national laws prior to 1994. While discriminatory laws have been repealed since the country's democratisation in 1994, many black South Africans continue to constitute the low-income market segment. This segment relies almost exclusively on monthly earnings from formal or informal employment, and this dependence is exacerbated by the low personal-savings rate in the country. The fortunes of clients in this market segment are positively associated with the health of the economy. As a result, Fynbos's financial success has also been positively associated with the economy's health.

Organisational distress

Following the global financial crisis, which commenced in 2008, many world economies experienced economic downturn, and this caused hardship among many economic actors. The low-income market segment was not insulated, and many people were hard-hit. In the period immediately following the onset of this crisis, Fynbos's parent company experienced financial distress. This caused the country's financial regulator to constrain Fynbos's operations by prohibiting it from selling any new insurance policies until its parent company resolved the financial distress.

This prohibition applied to premium inflows from new clients, but it did not apply to premium outflows and claim payments from existing clients. However, at the time, claim payments from existing clients exceeded premium inflows at Fynbos. Therefore, the size of Fynbos's balance sheet constantly shrank and threatened the company's sustainability. The financial impact of the regulator's prohibition is illustrated in Table 6 and reflects how Fynbos's profits initially grew from R1.3 billion to R1.9 billion but then rapidly declined during the period of organisational distress. They shrank to a profit level of R100 million by Year 5 and exhibited certainty of further deterioration.

Table 6

Fynbos Financial Performance

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Profit (R'000)	1,357,509	1,901,935	1,508,031	549,398	100,189

Note. Fynbos Annual Financial Statements

Governance structure

Fynbos has a unitary board with fewer than 10 members, and more than 80% of those members are non-executive directors. A non-executive chairman leads the board of directors. A CEO leads the executive management team, followed by a CFO, who reports to the CEO. Although the CFO is not a board member, he or she has high access and proximity to other members of the board, including to the chairman.

Synopsis

The context for Fynbos's case study was organisational distress caused primarily by factors external to the company. In the interviews I conducted, I asked questions about the specifics of the relationships between Fynbos's CEO, Chairman, and CFO, since all three acted as proxies for the relationship between the board and management. According to the people I interviewed, the relationships among board members and between members of the board and of management were initially suspicion-based—largely in response to the personality of the parent company's CEO. That CEO conducted his relationships with members of management and of the board in a way that discouraged internal dissent within the organisational context.

However, interviewees later characterised the relationship between the Fynbos board and management as one with high relational-based trust (Bart A De Jong & Dirks, 2012; Bart A De Jong & Elfring, 2010) and high institution-based distrust (Bachmann, 2011; Gunia et al., 2011; McEvily et al., 2003a). The high interpersonal-trust relationship was demonstrated through the shared-leadership approach of Fynbos's Chairman and CEO (Morais et al., 2018). Their approach was based on mutual respect and repeated trustworthy actions, such as a demonstrable history of managing conflicts of interest with integrity and transparency. The institution-based distrust at Fynbos was caused by the context of distress, by the institutional traditions of the professional backgrounds (actuarial and auditing professions) of the protagonists, and by the corporate-governance field in general, which is concerned with effective managerial accountability.

5.2.2. *Category 1: trust and distrust in the boardroom*

In this case, I illuminate how high trust and low distrust, as well as how high trust and high distrust, affect board task-performance. I reveal how the effectiveness of institution-based distrust mechanisms, such as contracts, motivate and direct corporate-governance actors to act in a pro-social manner that supports the interests of the organisation. In so doing, I begin to answer the study's secondary trust and distrust question about agency theory and stewardship theory. For parsimonious reasons, I reframe the secondary research questions discussed in Chapter 3 of this study as follows: (1) how do different levels of trust and distrust for the CEO influence board task-performance, (2) how do different levels of trust and distrust for the CEO influence the board performance of control, monitoring, and supporting

functions, and (3) how do different levels of trust and distrust influence the selection of board tasks in different contexts?

Trust in the boardroom

I did not explicitly ask the interviewees at Fynbos to talk about trust until they raised the concept themselves, which typically occurred between 20 to 35 minutes into interviews. When interviewees raised the issue of trust, they invariably did so in the context of an issue unrelated to this study's focal questions. In particular, the dimensions of trust that interviewees explicitly discussed relate to the following codes: *respect, evidence, competence, and experience*.

Two additional dimensions of trust, *truth* and *honesty*, are relevant to this study but were inferred from the quotations I provide in Table 15 (see Appendix 4). *Integrity* was the only dimension of trust that I inferred from overall engagement with the interviewees. Respect, truth, and honesty are clearly separate constructs, but they exist in the same ecosystem of views expressed by participants in this study (see Table 15 and Appendix 4).

Unlike interviewees from other companies, the executives and directors of Fynbos spoke freely, even when they reflected on difficult parts of their professional lives, including the organisational distress they experienced. The impression they gave was that they interacted openly and transparently with each other and therefore interacted similarly with me. Their authentic reflections on various dimensions of trust (see Appendix 4) indicated their comfort operating in an environment of high interpersonal trust.

Together, the study participants from Fynbos emphasised action or behaviour in their definitions of trust rather than intentions. Overall, trust within the board and between the board and management was grounded in the positive experiences of the participants. This is reflected in the words of one of the members of management:

> And I guess the real test of that is when you are not sitting in front of somebody is whether that trust relationship is then as intact as it would be when that person is in fact around the table. Trust for me is more than just when we're together. It is not "I can only trust you when I see you," it's absolutely not that, it's absolutely a case of "I trust you to go and do what we have agreed and just as a human being,

I take your word as that is the way it is and that is the way it's going to be." (D 42: Fynbos CFO)

As the CFO noted, his belief in the value of trust is a consequence of his positive, lived experiences with making and executing decisions in the context of high trust within Fynbos. This positive belief in the value of trust is also reflected in the words of the CEO:

I think it is largely positive, because in my opinion, it is required for healthy relationships and dynamics and to make an organisation work. You have to trust the people that you work with. I mean, if you want to use an army analogy, if you are on the battlefield, you want to know that the soldier next to you has got your back in a particular situation, and you want to have their back because ultimately it is about team effort. (D 22: Fynbos, CEO)

The type of trust the CEO and CFO invoked, which is grounded in positive experiences with competent and skilful behaviour, differs from blind interpersonal trust (Dietz & Den Hartog, 2006). The type of trust most of the Fynbos participants described is conditional on the continued performance of an acceptable standard by fellow governance actors. Consequentially, it can be withdrawn when performance drops below an acceptable level; this type of trust is sustained by continued confirmation of effective performance. In such a context, confirmation follows a continuous process of verification.

Distrust in the boardroom

While trust during times of distress was necessary for building board cohesion at Fynbos, it was not the sole mechanism that regulated the leadership dynamic between members of the board and of management. Board members expressed that they felt it was necessary to be assured that the CEO and CFO would deliver on key objectives before they would commit resources requested by the CEO and CFO. In this context, gaining assurance was an uncertainty-reduction mechanism that resulted from institution-based distrust mechanisms. I suggest that institution-based distrust operated in support of interpersonal trust in this case study, which is illustrated through views advanced by the CFO:

Correct, and I think it's causing frustration both ways because, you know, the board is then saying, "Well show me what you can do before I allocate more," and the person is saying, "Well give me more before I can show you what I can do." And it's

almost like a bit of a circular reference. And it's quite hard to see how you move out of that, out of that mould, because today's . . . I think people are so solution [oriented] . . . and they want it faster because they don't want to delay the gratification, they just want the answer now! And then people are saying, "Well if you can't, like, frame the question properly," and I'm over-simplifying now to a large degree, but, "Tell me the exact question, tell me what it is that you want." Because if you think about it, the board hasn't given CEO carte blanche, but CEO has also never come to the board and said, "Give me R50 million, I want to do something." So, who is at fault? (D 42: Fynbos CFO)

The CFO's views move the dynamic beyond the trust relationship proffered by the chairman and the CEO and towards the more sceptical perspective the board holds in relation to the CEO and to management. The board's scepticism towards promises made by members of management during times of organisational distress was unsurprising; the organisation was in distress partly because of historical decisions made by members of the management. Similarly, the CEO's frustration in this context, as depicted from the perspective of the CFO, was also understandable, given that the CEO was accustomed to operating at a lower level of board scrutiny. The CFO noted:

Now I'm not saying that that is a function of their lack of interrogation, I would rather say that it's a function of almost trusting to the Nth degree, as opposed to just interrogating more and more and more . . . . I think professional scepticism should then come to the fore and say, "But why is Year 4 going to be different from Year 3, I mean, what are you doing to ensure very different outcomes?" (D 42: Fynbos, CFO)

The scepticism expressed by board members during the organisation's distressed phase suggests that they had a great need to verify information that was provided by members of management before they decided on a course of action. Generally during periods of organisational distress, board members make changes in management as a way to signal that they are addressing the source of distress. In the case of Fynbos, the board did not make changes to management because the distress was externally-triggered and could not have been anticipated by the management. This suggests that board members continued to have interpersonal trust in the CEO.

Although members of the board continued to interpersonally trust the CEO during this period of organisational distress, they began to *distrust* information provided by the CEO until it was independently investigated and then verified by the board. During normal operations, such a need for verification might suggest mistrust in the CEO, but during organisational distress, verification is an expected response. Such scepticism suggests that institution-based distrust may act as a necessary mechanism to limit or contain organisational distress.

According to study participants, institution-based distrust mechanisms at Fynbos were necessary to repair fragile or broken trust caused by organisational distress. Under the circumstances, institution-based distrust was both expected and welcomed by the governance actors I interviewed. When I asked him to reflect on this increased need for verification, the CEO suggested that he was professionally accustomed to peer review and to heightened verification mechanisms. He said:

> Maybe it is part of my actuarial background, in that we trained from a young age in terms of peer review mechanisms, that there is always a doer, checker, reviewer on your own work and that you need to open yourself up to criticism or critiques on your work. You can get to the same answer but using different methods, or you can get to different answers using the same methods, and you are trained professionally from a young age to have a peer review mechanism in place because you recognise, most of the actuaries won't admit it, but you recognise that people make mistakes.

> And so, the process of finding errors in any organisation, in any piece of work, in any project, we have just been trained from a young age [that it] is par for the course. It is not a mechanism that communicates distrust; it is a mechanism that you start off by saying, "I take pride in my work, I take pride in what I do, I want to achieve positive outcomes for an organisation collectively," and therefore a different perspective or view on something is beneficial, and so that level of interrogation—checking of facts, verifying alternative things—often could be just to pick up things that you may have missed. And it is not that we are coming from a point of distrust necessarily, but from a point of professional pride. (D 22: Fynbos, CEO)

While the CFO described the CEO as frustrated by elevated levels of scrutiny, the CEO offered a different explanation; he suggested that he did not mind the increased scrutiny, and he had actually come to expect it because of his professional background. Further, the

CEO suggested that an elevated level of scrutiny is not a "mechanism that communicates distrust." The CEO did not understand distrust as a proxy for a lack of trust, rather than as the positive act of verification. Therefore, the Fynbos CEO articulated, of his own accord, a paradigm of simultaneous trust and distrust, which illustrates how I define distrust in this study.

While verification may not always indicate a lack of trust or a low level of trust in a person, in the quotations above, verification did not indicate distrust. In other words, and abstracting from empirical data, the CEO could have talked about a lack of trust when he referred to mistrust in other people, which would have allowed for the simultaneous existence of trust and distrust. In that case, there would be trust in the CEO but distrust in some of the information provided by the CEO.

I suggest that before relying on information provided by trusted actors during periods of distress, it is incumbent on directors to be more vigilant about the veracity of the information they use to make key decisions. To this end, distrust is a potentially useful mechanism within trusting relationships that are based on mutual respect between governance actors, because people in such relationships are not threatened by increased scrutiny of their actions or arguments. For instance, the Fynbos Chairman stated, "So, in a good board, someone can take a stand on an issue and not destroy relationships" (D 35: Fynbos, Chairman). Therefore, the very act of submitting to increased scrutiny could be understood as a sign of the CEO's trust in the board, since the increased scrutiny was intended to benefit the company through resolving organisational distress caused by factors external to Fynbos. This kind of trust and distrust in the boardroom constitutes one of the categories that emerged from my coded data and illustrates how high trust and high distrust operate in a complementary manner to positive effect within distressed organisations.

5.2.3. *Category 2: the basis of CEO and chairman relationships*

A key result related to this category was that chemistry between the Chairman and the CEO informed the relational dynamic between Fynbos's board and management. I derived this result without directly questioning participants about the basis of their business relationships. Instead, I asked participants to explain how they came to hold their respective designations within Fynbos. Across all cases and among all governance actors I interviewed, personal

or professional reasons were identified as two broad explanatory categories for the basis of relationships among directors and between directors and members of management.

Professional-based relationships

The Chairman of Fynbos, who is over 60 years old, is a chartered accountant by profession and a retired partner of Deloitte, the largest audit and consulting company in the world. In my review of archival data, I discovered that when he was still employed at Deloitte, he was a partner in the financial service practice where he was also a lead audit partner of some large banks in South Africa. Because Deloitte was the external auditor for Fynbos and its parent company, the Fynbos Chairman had a prior professional relationship with his current company's external auditors. However, it is not uncommon for retired audit partners to work as non-executive directors of companies—particularly ones with which they had a professional relationship. The CFO of Fynbos is also a chartered accountant by profession and was also formerly employed by Deloitte, albeit not as a partner. The CEO of Fynbos, an actuary by profession, had no prior professional relationship with anyone at Fynbos, but he was appointed after a competitive interview process. As a non-executive director noted:

> So, the choice for me was whether we appointed a black candidate or the current CEO, a white candidate, and you can imagine in this BEE world, when I called that it was going to be white appointment, it was quite a surprise . . . . But I reckoned that we needed someone who was very into the detail . . . . (D 37: NED, Fynbos)

The CEO also spoke about this topic:

> Ja, then the opportunity to go to the parent company, a leading bank, from there was to start the bank assurance [business], which was the strategy at the time, diversify away from . . . [retail banking]—let's see what we can do on alternative products. Which for me was the first jump, I guess career-wise, to something that was more entrepreneurial, building something from scratch; all the previous roles were, "There is already an established business, come and manage it"—and that is why I jumped at that opportunity. (D 22: Fynbos, CEO)

The Fynbos Chairman, CEO, and CFO were brought together by contracts of employment. Therefore, their relationship was primarily professional, but it was influenced by the institutional norms of their previous employers. Both the Chairman and the CFO had

professional histories with Deloitte, albeit during time frames that did not overlap. The CEO generally held people with actuarial qualifications in high regard, and this influenced his professional relationship with the Chairman and the CFO.

Evidence-based relationships

The CEO and Chairman indicated that their business experiences, from their respective actuarial and accounting professions, were largely steeped in cultures of interrogation and evidence-based decision-making. Such evidence-based decisions provided comfort to the key governance actors of Fynbos. Evidence provides certainty of performance in a relationship, which was something the Chairman highly valued. Certainty in a business relationship enables one party to have confidence in the performance of another (Fulmer & Gelfand, 2012; Möllering, 2005). Certainty of performance at Fynbos operated as a dimension of trust. In this case study, I found that evidence-based trust emerged between governance actors. For instance, when the CEO reflected on how he developed trust with the Chairman, he stated:

> My concern was in terms of coming in and starting to highlight an alternative view of the factual circumstances, it was a journey to first build trust in our relationship and to say, "This is my view, here is the evidence, here are the facts, here are the things we need to worry about," and then collectively manage the relationship with the other entities of the group. (D 22: Fynbos, CEO)

Values-based relationships

Governance actors in this case study repeatedly indicated that shared values (Connelly et al., 2012) were important and that they sustained the type of evidence-based trust cultivated at Fynbos. Among study participants, I found that respect and integrity were valued. The CEO stated his desire to be respected for his professional abilities and contributions. He desired respect from his peers in the management team and from his peers on the board and suggested that the absence of this respect negatively affected his ability to influence the direction of the company.

In describing his experiences at another company, the CFO recounted a situation where one director did not respect his fellow directors or the members of management. As a consequence, trust within the board was undermined, and toxic relationships formed within

the board and between members of the board and management. The CFO contrasted this previous situation with his current experience of trust-based relationships, underpinned by respect, at Fynbos. This characterisation of board relationships at Fynbos as trust-based was echoed by the Chairman:

> I think the main thing is respect for each other, there is no doubt about that. People respect each other as people, and they respect each other's ability and experience. And when any of our board members says something, the other board members take note, and the contributions are valuable. Our board, without any one of our board members, our board would not be as strong. In fact, we have a board where really everybody contributes in their particular area and collectively, I think we have a very good board, but my feeling is that people aren't afraid to speak their minds. (D 35: Fynbos, Chairman)

Here, the Chairman suggested respect as the mechanism that facilitates effective relationships among board members, which, in turn, enable organisational effectiveness. In his interview, the Chairman underscored the importance of respect when he described why the Fynbos board was effective; he noted that its directors respected one another and trusted one another to behave in competent, value-adding ways. He said that directors at Fynbos respected each other by demonstrating their competence: They prepared for meetings, and they made valuable contributions at board meetings and during any other interactions that affected the company. For the Chairman, trust among Fynbos directors resulted from their competence and actions, which were motivated by mutual respect.

The Chairman underscored that mutual respect among the directors was based on each director's track record for demonstrating competence in tasks that benefited Fynbos. Mutual respect among board members enabled them to rely on one another. According to the Chairman, directors were able to focus on their own areas of competence because they knew that their fellow directors relied on their expertise and contributions. Similarly, a director could rely on other directors because he or she believed that the other directors were competent and made valuable contributions during meetings. Relying on fellow directors to "contribute in their particular area" was the foundation of trust-based relationships among board members and between members of the board and management at Fynbos.

The centrality of the chairman-CEO relationship

The Fynbos Chairman used a sporting analogy to express his trust in the CEO. He emphasised the need for complementary qualities between CEOs and Chairmen and eschewed the idea of a CEO-Chairman dyadic pair that consists of the same skill sets or leadership styles. His analogy indicated the criteria that the Chairman used to assess the CEO's effectiveness in the business relative to his own role:

> Graeme Smith had been captain [of the South African national cricket team], and he was talking about the past, and what he was saying was, "Do we have the right coach coming, coach/captain coming through?" What he was saying was his experience was that if you had a strong captain who led well, as the executive of the team, then you needed a coach who coordinated, made things happen, made things easy for the captain to be the leader. If you had a captain who was a nice guy, then you needed a stronger coach to direct things and call the shots . . . .
>
> So, you need someone who goes and gets things done in the business sense, and if you have a Fynbos CEO who really does go and get things done without having to be encouraged or urged to do things, then your Chairman doesn't have to be as active . . . . So, I try and make people look good. With someone like the Fynbos CEO, I don't have to do that because he is good. (D 35: Fynbos Chairman)

The Chairman valued his relationship with the CEO because, in his view, the CEO complemented his own role. While the Chairman thought of himself as a non-confrontational coach, he characterised the CEO as a strong-willed, action-oriented captain who accomplished things. Although the Chairman did not explicitly use the concept of trust to describe his relationship with the CEO, he stated how effective he thought the CEO was and expressed his confidence in the CEO in a way that indicated respect for the CEO's capability, competence, and contributions. The Chairman's comments indicated that he relied on the effective performance of the CEO. Because the Chairman relied on the CEO in a way that required limited scrutiny by the board, I suggest this indicates a trust-based relationship between the CEO and the Chairman—one with a lower distrust mechanism influenced by a lower need for verification.

While the Chairman's trust in the CEO is necessary, it is not sufficient for trust to operate as mechanism that bridges the agency divide between members of management and of the board. The CEO's trust in the Chairman is equally important to trust dynamics within the board, because a trust-based environment between the CEO and Chairman creates a safe space for the CEO to take risks and make himself vulnerable to the board. In the case of Fynbos, the CEO expressed initial reservations about some members of the board, including the Chairman, because of his perception of relationship conflicts. Relationship conflicts arose at Fynbos from a variety of sources, such as the proximity of directors to company shareholders and the interests that directors had in Fynbos and its parent company. The CEO described the strained relationship environment between the top management teams at Fynbos and its parent company after the global financial crisis. He also unpacked the financial distress of Fynbos's parent company and the negative regulatory intervention that occurred at Fynbos as a result. The CEO noted that Fynbos's Chairman was a former director of Fynbos's parent company and therefore had existing relationships with key individuals at that company. Accordingly, the Fynbos CEO believed that any negative relationships with key individuals at the parent company could also negatively affect his relationship with the Fynbos Chairman. He said:

> I think it was, immediately, an environment where there were various conflicts of interest between different entities within the group, that needed to be managed. And because of a lack of relationships, and I guess to some extent, reputation and credibility within that context, there were difficult conversations. In as much as I wanted to communicate, I want to be part of solving the group's problems, because clearly what is in one subsidiary's interests, might be another subsidiary's interest, and for the group collectively—and as much as I was advocating I want to be part of solving the group's problems. There was an immediate distrust because it was perceived as "I am not necessarily supporting overall group strategy and views," whereas in my opinion, it was probably just a more objective view about the circumstances at the time. (D 22: Fynbos, CEO)

The strained relationship between the two management teams arose because of the divergent fortunes of their respective companies, as opposed to misaligned interests prior to the organisational distress. The strained relationship presented itself at a time when the relationship between the Fynbos CEO and the Fynbos Chairman was still nascent, and the

result was that the CEO expressed his discomfort engaging freely with the Chairman or the board:

> If I am really frank and honest, I think my initial concern was that as Chairman, given that he had longstanding relationships with parent company . . . on the basis of a relationship of trust [with the parent company], [he] often gave them the benefit of the doubt in particular decisions or arguments that were being put forward, without necessarily interrogating whether the evidence and the facts were indeed true or not. My concern was in terms of coming in and starting to highlight an alternative view of the factual circumstances, it was a journey to first build trust in our relationship and to say, "This is my view, here is the evidence, here are the facts, here are the things we need to worry about," and then collectively manage the relationship with the other entities of the Group. (D 22: Fynbos, CEO)

Generally, while avoiding relationship conflicts is desirable, in most cases, it is not possible to form a board composed of directors without some type of relationship-related conflicts of interest. For Fynbos, the antidote to such relationship-oriented conflicts of interest appeared to be the study participants' focus on each other's track records for taking fiduciary actions and for making decisions that were in the company's best interests. In other words, in a conflict between the interests of Fynbos and other organisations or between contracts in which a director had an interest, the Fynbos team expected that director to always act in the interests of Fynbos; if the director did so, the team would consider that person to be illustrating attributes in which the CEO could rely. Therefore, the CEO's trust in the board was built through records of responsible fiduciary actions and decisions by board members. Despite his initial reservations, the CEO based his appraisal of his relationship with the Chairman on repeated positive experiences with the Chairman's intentions and actions rather than on their perceived conflicts of interest. Ultimately, the CEO expressed respect for the Chairman:

> For me, what was extremely valuable was in those periods to be able to just reflect with someone else objectively about what was happening. So, take yourself out of this situation or the circumstances, and it becomes almost more of a coaching type dynamic, which is outside of what is happening in your immediate circumstances in this organisation . . . . What the Chairman helped me reflect on is that there are opportunities for growth and development, and there are opportunities to be

experienced that you otherwise wouldn't get because business administrations don't happen often, group system risk fall-outs don't happen. (D 22: Fynbos, CEO)

By expressing respect for the Chairman, the Fynbos CEO fulfilled the remainder of the condition for mutual respect between them. This mutual respect appeared to underpin their complementary leadership dyad, which the Chairman expressed above through a sports analogy. In this context, I suggest mutual respect indicated a trust relationship between the Chairman and CEO of Fynbos—one that was preceded by a record of honest behaviour and truthful communication between the CEO and the board and between the Chairman and the CEO. In addition, I suggest the CEO's reputation for being truthful during turbulent business contexts contributed to building both the board and the Chairman's trust in the CEO. Therefore, the mutual appreciation and respect expressed by both the CEO and Chairman built a foundation of trust that enabled them to lead their respective teams, the management and the board, through a precarious situation.

5.2.4. *Category 3: CEO attributes in a distressed organisation*

I have established that the relationship of mutual trust between the Fynbos Chairman and CEO was key to their respective leadership roles. Here, I discuss certain important attributes of the CEO, which he and other participants identified during our interviews. I assigned the following codes to the main attributes I identified during analysis of the CEO's interview: *dominance*, *loneliness*, *appreciation*, and *trustworthiness*. All but one of these codes were grounded in more other one interview, which I indicate in the following brackets: *dominance* (more than one), *loneliness* (more than one), *trustworthiness* (more than one), and *appreciation* (only one). The high groundedness of three of the codes occurred because of the regularity of the attributes across other interviewees. This groundedness indicates the importance of one factor relative to others.

Dominance attribute

The dominance code captures participant statements about how domineering a CEO behaves in relation to his management team, the board, or both. Within Fynbos, the CEO described how the management environment was dominated by the parent company's CEO. The dominance of the parent company's CEO extended to the parent company's board,

which meant that such dominance also extended to Fynbos's board and management. The Fynbos CEO said:

> My view was that they were . . . the parent company CEO was a dominating personality in the circumstances . . . . I think a lot of the decisions ultimately were driven by [him] dominating decision-making and outcome to maintain a view that the parent company is still a healthy organisation [and] has a role to play. (D 22: Fynbos, CEO)

Considering that the Fynbos CEO was unsatisfied with his early relationship with the Chairman, prior to developing their relationship of trust, the Fynbos CEO operated uncomfortably in the environment dominated by the parent company CEO. His discomfort was further illustrated when he explained that he felt as though his fellow executives in the parent company distrusted him. The CEO explained that he wanted to be in an environment in which he could express alternative views; such an environment would allow him to objectively interrogate different views in order to select an outcome that was best for Fynbos, without having to consider the broader interests of the parent company. Given the Fynbos CEO's discomfort with domineering personalities, this proved difficult.

Loneliness attribute

As the CEO of the only solvent company in the group under the parent company's control, the Fynbos CEO expressed his loneliness among his peers (Rokach, 2014; S. Wright, 2012). I created the loneliness code to capture participant statements about how CEOs have no one to turn to in times of distress. If there is no one in whom a CEO may confide, then the CEO will likely operate at an elevated stress level, which is undesirable—particularly during times of organisational distress when calm calculation is necessary. The loneliness code highlights the need for CEOs to have people they trust with whom the burden of resolving organisational distress may be shared. As the Fynbos CEO noted:

> At management level in that context, I was the only executive representing the insurance company, the banks had various other executives . . . . So, that I guess management of collective interests is difficult in the executive environment, because you have to work at each relationship individually, to advance your particular view about strategy and try and get a collective view, but you are kind of

the orphan child in that room because the primary interest was the bank interest and not Fynbos's interests in terms of decision-making, even though the business model economics were the opposite. The insurance profits were wrapped up in the lending profits. So, it is an interesting relationship which is, you are secondary in terms of decision-making frameworks, but the contribution to the overall health of the business is the opposite. (D 22: Fynbos, CEO)

I suggest that a constructive relationship between a CEO and a chairman contributes to reducing such feeling of loneliness, which are common among CEOs. An additional benefit to that type of relationship is that it enables sharing the burden of addressing organisational distress with the chairman and with other members of the board.

Appreciation attribute

Mindful of the difficult circumstances in which the Fynbos CEO found himself, he appreciated that he was able to turn to the Chairman for advice, guidance, and mentorship. The CEO appreciated the manner in which the Chairman related to him. With the appreciation code, I refer to statements about one director showing appreciation for another. This code may also be linked to the respect code in a sequential order. Therefore, the CEO's appreciation for the Chairman was a result of respect-based behaviour by the Chairman. The CEO's comments illustrated this:

And he never pushed me in a particular direction. So, he was never manipulative in saying, "Stay, because I have a selfish interest in you staying," or [that he] doesn't want to deal with other management or anyone. He was honourable and kept that respect in saying, "Ultimately it is your decision, but here are a few questions for you to go and think about." And that, to me, was extremely valuable. I think it just deepened the trust relationship. (D 22: Fynbos, CEO)

In the appreciation expressed in the above quotation, the CEO linked the consequence of this behaviour to the deepening of the trust relationship between the Chairman and CEO. With this attribute, therefore, I suggest that this style of CEO leadership demonstrates that trustworthy behaviour is valuable among members of the top management team.

Trustworthiness attribute

The trustworthiness code addresses statements about the extent to which governance actors perceive the CEO to be trustworthy. The participants in this study reflected on disruption caused by the resignation of the parent company CEO. They largely believed that Fynbos's organisational distress was caused by the parent company CEO's poor execution of strategy—by internal factors. Therefore, they questioned the trustworthiness of the parent company CEO, which led to a breakdown in trust between Fynbos and its stakeholders and between the parent company's board and CEO. When the Fynbos employees questioned the parent company CEO's trustworthiness, their continued relationship with him was untenable.

The Fynbos governance actors recognised that, generally, a CEO's trustworthiness provides a basis for external stakeholders to feel confident that the CEO, management, and board can resolve organisational distress. Therefore, external stakeholders hold the board accountable for the management team's actions. To this end, the board was vulnerable to management and to the CEO. Hence, CEO trustworthiness became particularly important within this distressed organisation. At Fynbos, where organisational distress was triggered externally, and the trustworthiness of the parent company's CEO was questioned, the board relied on the Fynbos CEO to provide credible information on which they could make decisions that would resolve the organisational distress. Therefore, the mutual interdependence between the board and the CEO was based on the simultaneous operation of trust and verification. As the Fynbos CEO noted:

> In our context . . . I think in my opinion, as a non-exec, you largely choose to be in
> that role to the extent that you are willing to trust management and whether they
> objectively put forward facts, or whether they massage information. So, a good
> non-exec will always probe, ask questions, try and look for the information that is
> not necessarily presented, or the syntheses or views that are not necessarily put
> forward, and try and extract that to get a more balanced view. But why I say trust
> is important is that at the end of the day, you really are at the mercy of whether
> your executive management put forward objective facts. (D 22: Fynbos, CEO)

At Fynbos, the board was vulnerable to the information provided by members of management, and all of this information was curated by the CEO, who took great care to

ensure that every report was aligned with the particular narrative that he advanced to the board. Generally, trustworthy CEOs advance narratives that enable boards to operate effectively in the interests of a company. At Fynbos, the CEO's leadership style eschewed dominance and loneliness. Instead, he operated through an appreciative relationship with his Chairman, and he repaid the Chairman's support with trustworthy behaviour.

5.2.5. *Category 4: chairman attributes in a distressed organisation*

The Fynbos Chairman's attributes complemented those of the CEO in a way that contributed to their development of a mutually respectful and trust-based relationship. Specifically, extending the Chairman's sports analogy, he was involved and accountable at Fynbos as more of a coach than a player. When required to be more actively involved, the Chairman did so in a non-confrontational manner and balanced the interests of Fynbos's various governance actors and stakeholders.

Involved-and-supportive attribute

The Chairman explained his role in practice and contrasted it with what he characterised as an ideal chairman role, in which a chairman directs members of part-time upper echelon teams that typically meet four times a year. In his idealised view, the role of the chairman is to lead the board during meetings. In his practical experience, however, such an intermittent role makes it difficult to hold members of management accountable for the business; he likened this type of chairman role to the idea of an absent landlord. To be effective, the Chairman explained, he must be available in between meetings to act in a supportive capacity for the members of management:

> For me, a chairman shouldn't be acting just in board meetings, they should be available intra-board meetings as sounding boards, being able to give advice, guidance, checking in on things—that for me is a healthy chairman/CEO dynamic. It is a continuous relationship management, it is not a "I don't speak to you for three months and then suddenly talk to you." So, they must have a big role in the organisation, obviously through an executive management relationship, but it is a continuous link as opposed to an academic, "I only attend a board meeting once every three months." (D 35: Fynbos, Chairman)

According to the Fynbos Chairman, the chairman role is intended to support rather than interfere with or undermine the executive management team. The Fynbos Chairman noted that he thought he achieved this supportive type of involvement. He explained that when he observed something that needed the attention of the executive management team, he would communicate with the CEO directly and provide guidance to the CEO, so the CEO could address the area of concern before any formal meetings with the board. The Chairman said:

> Ja, my intervention, to make the whole thing more efficient. And to help him obviously look good, and not to look bad. I have done that with the auditors when I chaired the audit committee: When I think there is an issue with the report which is not great or inappropriate, I will phone them up and say, "Look, I am going to ask you a question about this, can you just do a bit of homework? That figure doesn't look right, you know? That figure doesn't look right in your report, can you have a look at it?" Or, "I would like to ask a question about it." And it does help them. So, then it creates that positive atmosphere you were talking about, it helps you know, you are not trying to do their job for them or anything, but there is no profit in embarrassing someone. I try quite hard not to do that. Company secretary as well: I will say, "We did have two resolutions the last meeting, you haven't got them on the agenda, can you print them out and bring them to the meeting, and we will approve them?" And he will say, "Sorry, I forgot." (D 35: Fynbos, Chairman)

This quotation is one of several examples where the Chairman noted his supportive role at Fynbos—especially as a coach.

Coaching attribute

The coaching code deals with the ways in which a chairman acts as a coach or as a trusted partner who supports people in their attempts to achieve a particular outcome and does not manipulate them. In the coach role, a chairman shares wisdom with and demonstrates empathy for members of the executive management team as they work through complex issues during times of organisational distress. At Fynbos, members of the executive management team responded well to this type of chairman role. For instance, the CEO expressed appreciation for the Chairman, particularly during tough times:

Yes, so I think at a deeply personal level, obviously in that context, one is concerned about the future of the company and therefore your own role within it—is there a future, is it worth staying and fighting this out, or do you just say, "This thing is so broken, pack your bags and go and build a career somewhere else." For me, what was extremely valuable was in those periods to be able to just reflect with someone else objectively about what was happening. So, take yourself out of this situation or the circumstances, and it becomes almost more of a coaching type dynamic, which is outside of what is happening in your immediate circumstances in this organisation. (D 22: Fynbos, CEO)

Non-confrontational attribute

Given the Fynbos Chairman's coaching role, he typically avoided confrontation with members of management and of the board and prioritised healthy relationships. However, some members of the executive management team characterised this non-confrontational approach as a weakness. At Fynbos, members of the executive management team appeared to value authentic engagement, even if it led to conflict—as long as such conflict was well-intentioned. As the CFO noted:

I think that, perhaps, the one thing, a bit of a criticism that I would bring against the Chairman, and it's almost a kind of inverse criticism that I would bring against the incoming chairman, is that the Chairman was too un-confrontational, he wanted to avoid conflict too much, okay? And I think incoming Chairman engages in conflict too easily. That would be my high level, just sitting on the side and observing. (D 41: Fynbos, CFO)

The CFO also said:

No, I would not say that the Chairman was a spectator. The Chairman was very much on the field as well. I think he just tried too hard to . . . I wouldn't say listen to everybody's views but tried too hard to please everybody. Whilst I think that the sweetest part of a deal or the sweet spot of an outcome—let me rather say it like that—is very often where all parties are equally unhappy. (D 41: Fynbos, CFO)

Facilitator attribute

In reflecting on the Fynbos Chairman, a non-executive director contrasted the Chairman's facilitator role with his leadership role, and the director viewed the facilitator role as a weaker form of the leadership attribute. His comments suggested that while the Chairman was generally respected, other directors wanted him to be more assertive. In turn, this suggested that members of Fynbos expected the Chairman to have a leadership style that was both supportive and assertive. As the non-executive director noted:

> I have always felt that the Chairman was [a] very, very professional guy, very competent as an accountant, never felt that he was leading the business as the chairman. Much more reflecting the conversations and ensuring that everything was properly reflected. And for me, that was very important later on, by the way, that the economics, especially once the Group CFO had left, that what was being produced was legitimate and a fair reflection of what that business, what state it was in. (D 37: NED, Fynbos)

Balancing attribute

While such expectations for support and assertiveness from the Chairman may appear contradictory, they reflect a tension usually present among various governance actors. Given that directors operate as a team, conflicting views and interests are inevitable. The Fynbos CFO described the Chairman as filling a balancing role in the company; he had to balance the interests of multiple governance actors within formal meetings and during informal interactions. The CFO noted, "I think that . . . [he] was a very good chairman and . . . [he] lived the principle of giving everybody a chance, he was very deliberate, very agenda-specific. He had the ability to keep his cool even in different circumstances" (D 41: Fynbos, CFO).

In summary, within Fynbos, the Chairman was continuously involved in the activities of the business and provided support to the members of the executive management team between board meetings. In so doing, the Chairman acted as a bridge between members of the board and of management. The Chairman also played supporting and coaching roles, which served to affirm and encourage members of the executive management. This enabled those members to engage with the board as partners who share the burden of resolving

organisational distress rather than as governors who oversee the board or as atomistic agents, both of which might harm the interests of the company and its stakeholders. His supportive and coaching capacities led the Chairman to be non-confrontational, and he emphasised facilitation at the expense of strong leadership. That said, the Chairman's focus on facilitation reflected the obvious tensions that emerge in contexts of organisational distress and that must be resolved through a team approach. Despite criticising him for soft as opposed to strong leadership, board members acknowledged that the Chairman led the board effectively and successfully balanced the interests of multiple governance actors at Fynbos.

5.2.6. *Category 5: the level of board effectiveness*

In this section, I shift the unit of analysis from the CEO and the chairman to the board of directors. Several factors contributed to the Fynbos board's effectiveness, and I coded the important ones as *responsiveness*, *meaningful contributions during meetings*, and *exemplary behaviour* that demonstrated commitment to best practices.

Responsiveness attribute

According to participants, the responsiveness of members of the board and of other people who support the board was crucial during and outside of meetings, because it demonstrated commitment and engagement. Responsiveness built trust among board members and communicated trustworthiness, because it demonstrated where people's priorities resided. As the Chairman noted:

> The second step is the performance of the person, and ja, trust and supportiveness sort of go together. I think . . . trust comes from anything. One is a spirit of cooperation, I think that comes . . . that is usually very evident, someone who is prepared to . . . . Just makes it clear that they are prepared to work with [other people] . . . [and] whose . . . communication, ready, available as far as possible—not unreasonably unavailable, put it that way. And responsiveness—responsiveness is a huge part of confirmation of being able to trust someone. (D 35: Chairman, Fynbos)

The Chairman also said:

> But "Call me if you need to" is a much better way of putting it. It sounds great, "Call me if you need to," and you know, "I am around." I think a big issue which has helped the CEO is that I really have tried to be available if he has called me, and [if] I have not been able to take the call, I will phone back as quickly as I can, even if I am out of town or on holiday or whatever it might be. If he emails me, I try and get a reply the same day, and I think that helps him. I think it is very easy that an atmosphere . . . . You can damage the atmosphere or reduce the effectiveness of the whole relationship if you don't . . . if you send me an email today, and I only respond on Monday. That's . . . you do wonder where the priorities were, etc. So, I try and respond today, or tomorrow morning, and I think if everybody does that— and the Fynbos people are very good at that, they do respond. (D 35: Chairman, Fynbos)

Among study participants at Fynbos, effective performance was closely associated with responsiveness. Inversely, they noted that poor responsiveness implied defective performance. Given their focus on responsiveness, interviewees at Fynbos noted that effective performance by board members was an important indicator of whether a board works. According to the participants, a board that works is one that includes responsive members who perform effectively, as well as other professionals who make positive, supportive contributions. As the Chairman observed:

> My experience is where boards really work, is where there is a view that each of these people are successful and effective. So, if any of those areas is not competent and effective and efficient in carrying out their responsibilities, it creates anxiety over the board. So, if you have got an internal auditor who may not be up to speed, and you are worried about that person, you will have anxiety. If you have a company secretary who doesn't give you decent minutes, doesn't support you, doesn't get agendas out, that causes anxiety and frustration and irritation. And if you have a financial officer who is not playing the game, not producing what you would like to produce, the same things. So, if any of these are not supporting the board, that creates anxiety and discomfort, and that is the basic origin of problems. (D 35: Chairman, Fynbos)

Substance-over-form attribute

According to the Chairman and other governance actors within Fynbos, boards that work do not necessarily require members to be similar at personal levels. Members may experience conflict or have differences of opinion, but the board's effectiveness is assured through their meaningful contributions. The Chairman said:

> Well, I mean, one issue is that there are some board members who aren't happy until they have had their say. We have got a board member like that on the Fynbos board. And what they say is valuable, so it is not a case of saying, "This guy is a pain, etc." I enjoy what he says, and I value what he says. (D 35: Chairman, Fynbos)

In the above quotation, for example, the Chairman expressed displeasure about how one board member expressed himself, but he noted he was happy to look beyond the character of the person to focus on his message, instead. This approach indicated a functional board in which members were accepted for who they were, even if they were "painful," as long as their contributions were meaningful.

Involved-director attribute

The Chairman expressed how important it was for him to be continuously involved with the executive management team, and he also encouraged the rest of the board to be continuously engaged with members of executive management. This type of continuous, involved engagement enabled directors with different skill sets to contribute to the operations of the company in a complementary manner. While the involvement of non-executive directors might be considered a nuisance under normal circumstances, it was necessary during the time of Fynbos's distress. For example, the CFO stated, "I think non-executive directors in today's day and age need to accept that when things go wrong, they need to get more involved, and they need to get involved much quicker" (D 42: CFO, Fynbos).

At Fynbos, the effectiveness of the board mirrored the effectiveness of the relationship between the Chairman and CEO. Among the directors I interviewed, board-member responsiveness was valued. In particular, board members were encouraged to contribute meaningfully not only during but also between meetings. Board members were encouraged to be continuously involved with members of the executive management, which contributed

to the effectiveness of the organisation. However, this involvement was conducted in a non-confrontational, supportive manner. Therefore, I suggest this approach to engaging underscores how important trust-based relationships are among members of the board and between members of the board and of management.

5.2.7. *Case summary*

To explain the operationalisation of trust and distrust within corporate-governance contexts, I use the concept of *trust transfer* (Stewart, 2003) to describe the basis of the trust relationships between the Chairman and the CEO, as well as between the board and the CEO. The Chairman was embedded in a professional social network with Fynbos's auditors, board members, and management. According to the people I interviewed, his career as a successful auditor and lead partner demonstrated his trustworthiness to Fynbos's board. In contrast, prior to his appointment at Fynbos, the CEO had weak ties to only one of the Fynbos directors. However, that director was highly regard by his peers, and he provided a social bridge between the board and the CEO and communicated the CEO's trustworthiness—this was an instance of trust transfer. Therefore, social embeddedness and connectedness, no matter how weak, were factors that contributed to trust propensities at Fynbos.

From this within-case analysis, based on categories underpinned by codes I generated from grounded analysis (see Table 7), I observed that the relationship dynamic between the Chairman and CEO at Fynbos was central to the broader dynamic within the board and between members of the board and of management (Morais et al., 2018). The relationship between the Chairman and CEO was grounded in values of mutual respect and integrity. The Chairman, CEO, and non-executive director all emphasised the value of mutual respect based on professional success, and they indicated that a lack of trust undermined interpersonal trust within the boardroom.

Table 7

Fynbos Shared-Leadership Board Dynamic

No.	Themes	Codes	Abstraction
1.	Chairman-CEO Relationship Basis	Professional basis; evidence-based; values-based; relationship centrality	Trust development mechanisms
2.	Distressed Firm CEO Attributes	Dominance; loneliness; appreciation; respect, trustworthiness	Trust and distrust mechanisms
3.	Distressed Firm Chairman Attributes	Involved and supportive; coaching; non-confrontational; facilitator; respect; balancing	Trust-based mechanisms
4.	Board Task-Effectiveness	Responsiveness; substance-over-form; involved-director	Trust-based mechanisms

Note. Author is the source.

When I conducted interviews for this study, Fynbos was in a context of organisational distress, and the professional relationship between the Chairman and the CEO was nascent. The company's distress resulted from external and internal factors. The external factors related to economic variables beyond the scope of this study. The internal factors included the relational dynamics among board members and between members of the board and of management. Externally, Fynbos was one unit within a larger group of companies, and the parent-company CEO dominated the business environment and impaired the sensemaking abilities of the parent-company's management and board teams, which resulted in financial distress among the overall group of companies. This context demonstrated agency-theory conditions and illustrated an overall failure of the board to monitor and control the management—especially the dominant CEO.

The internal organisational distress within the Fynbos ecosystem occurred at the onset of the relationship between the Chairman and CEO. The distress shaped their trust-development path such that both parties, as well as board members, placed a premium on verifiable information—an evidence-based approach. The organisational context also contributed to feelings of isolation and loneliness at Fynbos, which the CEO articulated clearly. However, the CEO's experience with such feelings appeared to be mitigated by the Chairman's and the board's expressed appreciation for the work the CEO was doing to turn around the firm. According to study participants, the frequency and quality of team responsiveness on substantive, as opposed to procedural, matters was a measure of

appreciation that moderated feelings of loneliness. Therefore, mutual respect, integrity, and organisational distress (which caused a mix of psychological responses) contributed to shaping people's desires to act in ways that demonstrated their trustworthiness. This held true for the CEO, the Chairman, the board, and members of management in this context.

When governance actors of Fynbos used distrust, it was used simultaneously as a property of the person as well as the property of an attribute or action or decision. Upon further review of my data on the targets of distrust, I concluded that distrust can be present in one unit of analysis for a person while being simultaneously absent in another. For instance, board members' distrust in information provided by the CEO did not necessarily mean they distrusted the CEO as a person. Accepting this subtle but critical distinction contributes to a more realistic understanding of the role of directors within distressed organisations than that which is described in various company law prescripts. Therefore, trust and distrust among and between various governance actors appears to be critical to their relationship dynamics. This seems to apply particularly to organisations in distress.

At Fynbos, the CEO and the Chairman comfortably embraced institution-based distrust mechanisms, such as verification, the provision of evidence, and experience-based confidence. Because the foundation of the Chairman and CEO's relationship was built on mutual respect and integrity at an interpersonal level, they were willing to rely mutually on each other. In turn, that enabled them to be vulnerable with their interdependent board members, even when they perceived some of those members to have conflicts of interests.

5.3.   Protea Insurance Company Limited

5.3.1.   *Company description*

Protea was established more than 50 years ago. Over the years, it has become one of the largest insurance companies in South Africa and has expanded to other countries. As an emerging-market, multi-national corporation, it operates in a highly competitive market alongside equally successful emerging-market, multi-national corporations; developed-market, multi-national corporations; and niche domestic players such as Fynbos. With its insurance and array of investment products, Protea has had a long history of business success and innovation in multiple target markets. It provides services to individual clients directly through its distribution force and indirectly through employer-based insurance, investment, and health products. It also provides insurance and investment services to corporations and to government institutions. Finally, it is associated with a large banking group, through which it distributes its services to the group's clients.

Organisational distress

Once renowned for its product innovation, Protea has lost market share to newer and more innovative insurance and investment providers over the past few years. To address this decline in market share and the resultant earnings depression, successive boards at Protea have employed several CEOs to rejuvenate the company. However, Protea's turnaround strategies have exhibited a marked pattern: They tend to stall within five years of a CEO's appointment. In this case study, I relate the governance relationships at Protea during a specific point in time and recount the experiences of the CEO, Chairman, and CFO who were currently employed. I draw comparisons with Protea's preceding governance actors in order to amplify the roles of the extant governance trio. At the time, the CEO had presided over a period of increased earnings growth, which was followed by a decline after the fifth year (see Table 8). The decline resulted in a sharp share-price decline, which triggered introspection among the board members and encouraged them to examine the business operations. This resulted in a strategic stand-off between the board members and the CEO.

Table 8

Protea Financial Performance

	Year 1	Year 2	Year 3	Yera 4	Year 5
Earnings (R'million)	2,819	3,777	4,276	4,464	4,164

Note. Protea Annual Financial Statements

Governance structure

Protea is governed by a unitary board that consists of more than 10 directors, of which only two are executives. Of the remaining eight directors, four are independent. The final four have ties to a major shareholder of Protea. During this study period, four of the 10 directors resigned from Protea. I mention this not to suggest that factors related to Protea's organisational distress motivated their resignations but rather to provide context: Their resignations were one consequence of that distress.

Case-study synopsis

For this case study, the organisational distress occurred among the top management team and was internally initiated. The interviews I conducted tracked the specifics of the relationships between the CEO, Chairman, and CFO, and these relationships represent proxies for the relationship between members of the board and of management. From the data, I discovered a sharp relationship misalignment between the Chairman and the CEO, which contributed to dysfunctional practices among board members, within the management team, and between members of the board and management. Holding company structural factors, explained by power dynamics between independent non-executive directors and non-independent non-executive members, deeply influenced relationships among board members. The non-independent non-executive directors were also the top executives of a different company that held a majority share in Protea.

Board relationships were also influenced by Protea-specific contextual factors. Since the majority-shareholder company acquired control of Protea in the late-1990s, Protea has consistently lost ground in the market, and it is now a slow follower as opposed to a fast leader. After almost 20 years of unsuccessfully controlling Protea, the majority-shareholder

company eventually lost patience with Protea's sluggish performance and appointed a new Chairman to revive the company.

The CEO that I interviewed was appointed a year prior to the new Chairman. In the period preceding the CEO's appointment, and during the first year of his appointment, the board-leadership approach at Protea could be characterised as CEO-led. This conformed with how CEOs had led the company since it was founded in the 1950s. However, with the appointment of the new Chairman, the leadership dynamic shifted: It became Chairman-led. The business context, coupled with the transition from a CEO- to a Chairman-led leadership approach, set the tone for the CEO and Chairman's initial relationship dynamic, which was fraught with suspicion.

The codes underpinning this case study's analytical category indicate that the Chairman and the CEO had different trust propensities, which resulted in different approaches to recognising trustworthy behaviour and actions. Despite their efforts, they both failed to develop interpersonal trust. Because they remained suspicious of each other, they were unwilling to be vulnerable. As a result, they operated from a perspective of low trust and high distrust. This caused other members of the board and management to rely largely on institution-based distrust mechanisms, since they had no access to interpersonal trust mechanisms in Protea's business environment. This case presents a typical agency-theory problem: Agency-theory distrust business-mechanisms led to negative consequences for the members of Protea's board and management. In the analysis below, I explicate the connection between low relational-based trust and high institution-based distrust within the context of Protea's organisational distress.

5.3.2. *Category 1: trust and distrust in the boardroom*

At Protea, trust emerged organically as an important mechanism. The CEO distinguished between trusting the board as a group, trusting the individuals that constitute the board, and trusting the individuals that constitute the executive management team. His distinction between these various levels of trust mirrored the levels of analysis scholars have used within extant literature on trust. Data from this case study supported the idea of trust as a multi-level phenomenon, as well as my argument for strong conceptualisations of trust at each level. Data from this case study also highlighted the necessity of strengthening

definitions of team trust within the corporate-governance domain. As the CEO of Protea noted, much of what boards of directors do is teamwork:

> There is an element of trust that is required, that you trust the body, you trust the people that are there, you trust the information that you are supplied with. And if you don't have that, then you would really be schizophrenic because you have such an onerous duty to be a board member in terms of what regulators are expecting of you. So, you would actually have a dysfunctional board. (D 29: Protea, CEO)

The CEO articulated a nuanced view of trust and distinguished between trust and respect. He identified respect as a property of individuals and trust as a multi-level property. He then asserted the importance of trust between members of the board and of management and between board members and the CEO. Two important points emerged during my analysis of his interview. First, he revealed that he believes that CEOs stand apart from management. This is consistent with a general view in business that while a CEO is an ordinary director, he also stands apart from other directors by virtue of his specific executive role. Second, he disaggregated trust in a person from the idea of trust in the specific activities or qualities of that person. By doing so, he implied that trust and distrust can operate simultaneously. For instance, he said:

> I think trust is slightly different, and respect for me is different. Trust is important, you expect the board to trust management, and you expect the board to trust the CEO. And the question of respect is probably a dynamic actually between two people because it's an engagement that is happening all the time, whereas trust in many ways manifests itself in both group and in an individual context. (D 29: Protea, CEO)

The CEO also noted:

> So, I think trust is important, but having said that, trust manifests differently: I could trust you with this element because I have got confidence in you that you will do it right. I mean I am trusting you with this, because either you don't have the confidence in that, in which case I need to manage that. So that's why for me, trust is . . . there is a universal trust that you've got the right people and you trust what they're saying and what they're doing, but . . . there are elements where your trust

is not . . . you don't extend it readily because you're not convinced. And it's not an integrity, it's a trust based on . . . um . . . [the idea that] I am not readily comfortable that this is going to work and just because I don't understand how you're going to deliver it. (D 29: Protea, CEO)

During his interview, the CEO tried to draw boundary lines between different types of trust, such as competence-based, behaviour-based, or relationship-based trust. This created space for the CEO to trust a person in one context but distrust the person in another.

In the Fynbos case study, trust and distrust operated in a complementary manner that was positive for both the individuals and the organisation. However, in the case of Protea, complex relationships between the Chairman and the CEO, the Chairman and the board, the board and the CEO, the CEO and management, management and the board, and management and the Chairman suggested that trust-development was the opposite. At Protea, agency-based distrust mechanisms reigned over stewardship-based trust mechanisms, which contributed to the company's high-turnover in directors.

5.3.3. *Category 2: the basis of CEO and chairman relationships*

Professional-based relationships

According to Protea's archival documents, its current Chairman is more than 60 years old and has qualifications in business, politics, philosophy, and economics from prestigious universities. He had a lengthy and successful career in banking, and most of those years were spent in senior executive positions at an emerging-market, multi-national bank associated with Protea. The Chairman's career included leading the investment-banking division of the bank at which he would later become a CEO. Following his retirement, he assumed a directorship at Protea and later became Protea's Chairman. The resume that Protea's CEO gave to me revealed that he is under 50 years old and obtained an actuarial science degree and a management qualification from leading universities. He has had a lengthy and successful career in the insurance industry and, similar to Protea's Chairman, has worked for long stints at his prior places of employment.

Unlike the Fynbos Chairman-CEO dyadic pair, the Protea Chairman-CEO dyadic pair had diverse analytical traditions. The Chairman and CEO did not have a relationship prior to their employment at Protea, and as a consequence, the basis of their relationship was

professional. However, this professional basis was underpinned by dissimilar academic careers, which meant that the Protea Chairman-CEO dyadic pair had to work harder to understand one another. Therefore, their relationship was initially based on a less solid conceptual grounding than that of the Fynbos Chairman and CEO. This set the stage for agency-based understandings of distrust mechanisms to flourish.

Evidence-based relationships

Protea's CEO and CFO stated that the current Chairman was more involved in the business than his predecessor. With the predecessor, the CEO had become accustomed to a chairman who led the board but gave members of management enough space to operate independently. That relationship set clear boundaries between the board and management: The Chairman led the board, and the CEO led the organisation and acted as bridge between members of the board and of management.

According to the CEO, his relationship with the prior Chairman was based on trust. This enabled him to operate effectively and build a cohesive top management team, which contributed to a cohesive board. He also noted that, as CEO, he was supposed to run the company and report to the board. He said:

> The board is a collection of part-time people who are fulfilling a governance role at best but also have a huge duty to make sure that what the company says it does, it actually does—and the chairman of the board is there, amongst other things, to make sure that he manages those part-timers. (D 29: Protea, CEO)

However, he noted that the current Chairman was not content with "manag[ing] those part-timers" or with letting members of the management drive the organisation. Generally, as described by interviewees and within archival documents, the current Chairman was more hands-on and involved with the management, and he attempted to influence the execution of corporate strategy. Participants noted that the current Chairman said he needed a lot of information about the business in order to be effective. Therefore, such needs for information and verification characterised the relationship between the CEO and Chairman. In addition, the Chairman was less concerned with lengthy qualitative explanations and more interested in detailed quantitative information. Unlike the engaged approach of the prior Chairman, the current Chairman expressed disinterest in explanations of company data—

he preferred the data to speak for itself. The CEO discussed his views on the Chairman when he said:

> So, engagement for me was an important component [of the relationship]. He does not [think that it is important]. So, it's dysfunctioning, and he didn't like that, he didn't like the lot of engagement that was happening. He really liked lots of information dump. "Tell them what we are doing, this is where they sign, they must be happy. Move on." It is slightly different in direction [compared to the prior Chairman]. (D 29: Protea, CEO)

By demanding access to company data, the Chairman communicated that he gained confidence from direct evidence but not from interpreted evidence. In addition, the Chairman preferred certain types of evidence to others. For instance, he preferred evidence that showed an immediate link between variables—a cause-and-effect relationship. According to the CEO, the Chairman preferred his own sensemaking and placed limited value on the sensemaking of the CEO. He said the Chairman's sensemaking focussed on the destination rather than on the journey:

> I'm just talking about how one manages the external world—he really believed that, he would bring an object to focus on, and then the next time you need to move that object here and you would tell them what has happened to that object. Whether it's significant or not actually is not material. What is material is that people need to sense that this move was made by you, it's a deliberate sort of action—and that was his method. (D 29: Protea, CEO)

The CEO then commented on his own approach to business and to the world:

> My method, borne out of a total different school of thought, was always that these objects can move a lot by sheer circumstances. If you are true to the journey, you can map out over time that this is where you were, this is where you are now, and you use the same language to frame that conversation, here is a credibility you earn over time. (D 29: Protea, CEO)

The divergent professional approaches of the Chairman and the CEO contributed to their divergent orientations: The Chairman was more object-oriented, and the CEO was more maps-oriented. Even though their professional relationship was underpinned by a common evidence-based mindset, they subconsciously held different expectations about what was

considered evidence. Therefore, they failed to focus on mutually determined credibility-building mechanisms. Unlike the trust-based relationship between the CEO and the prior Chairman, the relationship between the extant CEO and Chairman was characterised by institution-based distrust and low interpersonal trust.

Values-based relationships

Mindful that they had no prior relationship outside of Protea, both the Chairman and the CEO were aware that they had to establish an effective professional relationship. The CEO stated that some board members advised him and the Chairman to improve their working relationship:

> I think we did not have . . . we didn't have a respectful relationship, we had a different relationship, we had a cordial relationship. A cordial relationship means just that: We are able to communicate and engage, we were professionals, and we worked hard at presenting the united front through constant engagement, weekly engagements where I shared what I was doing, and he would question it and walk away and say, "Okay, I understand." That "working at it" came from the feedback we received. I think in the first six months, I think overwhelming[ly] the feedback was, "The Chairman and the CEO need to work on their relationship. It is clear to us that they are not together." (D 29: Protea, CEO)

Two practices on which they both agreed included communicating openly and transparently and treating each other with respect. According to the quotation above, the CEO made a distinction between treating someone with respect and actually respecting the person. In the former, one is concerned with appearances: the form of respect. In the latter, one is concerned with the authentic expression of content: the substance of respect.

Archival reports about the Chairman's character indicated that he was a "gentleman." Other members of the board and of management both within Protea and at the parent company echoed this view. The Chairman was considered a person who respected those who worked with him. It was not clear from archival documents whether the Chairman was respectful in form, substance, or both. However, the CFO stated that the Chairman respected him for specific things rather than as a general affect. Therefore, I suggest that the respect attributed to the Chairman is positively associated with effective performance.

The CEO also identified respect as a critical component of his professional relationship with the Chairman. The CEO explained that he and the Chairman were required to represent one another to their respective stakeholders. The CEO represented the Chairman and the board when he dealt with internal stakeholders. The Chairman represented the CEO and the management team when he interacted with external stakeholders. To be effective in representing one another, each party had to respect the other. The CEO said:

> So, it has to be a really strong working relationship that is based on respect, because if they don't respect one another's views, they cannot represent each other appropriately in front of the stakeholders that they need to; it has to be based on really . . . they don't have to agree on everything, but the respect I highlight there—for the Chairman to represent what the company requires through the board and for the CEO to represent what he believes a company has to be to a board—that's a nexus that manages that relationship and that interface between the two people. So, you really have to have a relationship of respect, a relationship of really understanding that you are dancing together. (D 29: Protea, CEO)

To summarise, while the Chairman respected his team and was respected for his business acumen, his respect was focussed on organisational outcomes. To the extent that a person or a team performed acceptably, the Chairman's respect was granted. However, when a person or team produced unacceptable results, the person or team became a focal object for the Chairman.

In this instance, and in the early stages of the analysis, I made a distinction between mutual respect and respectful engagement. Given that Protea is a case study that could be characterised as based in agency theory, an interesting observation emerged from the empirical data: While governance actors at Protea desired mutual respect, they engaged respectfully in its absence, since doing so would facilitate cooperation—which researchers have noted is antecedent to collaborative teamwork (Colquitt et al., 2007).

Chairman-CEO centrality

Participants in this study characterised the Chairman as evidence-oriented and outcome-focussed, and they said he highly regarded people who had track records of success. In archival data I collected after the departure of the focal CEO from Protea, the Chairman

praised the incoming CEO and described him as one of the smartest people and best executives with whom he had ever worked. He expressed confidence that under the incoming CEO's leadership, Protea would escape the stagnant decline of its prior path and enter a period of sustainable growth.

For many reasons, the Chairman never expressed that kind of confidence in the CEO who worked at Protea during the period in which I conducted this study. First, their relationship was relatively new at the time. Second, they had never before worked together in an executive capacity. Third, the Chairman did not consider the extant CEO a very good executive. In other words, the Chairman placed little value on the prior business success and track record of the extant CEO, which caused the Chairman to question the CEO's trustworthiness.

In contrast, the Chairman's ideas about the incoming CEO reflected a long-standing professional relationship based on deep respect, which was earned through that CEO's history of successful performance—over time and under the stewardship of the Chairman when they were at a different organisation. Therefore, I suggest Protea's Chairman was predisposed to respect and trust other people for their business acumen—just as he wanted to be respected and trusted for his own. The CFO addressed this when he said:

> You have a new chairman; the new chairman is also respected because of his business acumen and his proximity to the organisation. But he is not interested in the people dynamic at all, he is interested in getting outcomes that he believes need to work. (D 40: Protea, CFO)

Because the Chairman and the extant CEO were unable to develop an interdependent relationship based on mutual respect, they were unable to work well together. Instead, after disrespectful engagement, their relationship steadily declined. Eventually, they realised that their leadership styles caused them to pull in opposite directions, execute at different paces, and dance to different rhythms. The CEO discussed this:

> So, it's that little bit of a dance thing . . . . But I think, in the end, it's also a question of style, that if people are not attuned to each other's style, I mean the way I reflected on where our previous chairman was, is that there was a conscious effort on his part to say, "I am not running the company, you're running the company."

> But a beast inside him [the current chairman] rebelled against that. [He said,]
> "That I can clearly see this is wrong, but I can't help myself." (D 29: Protea, CEO)

Having characterised his relationship with the Chairman as misaligned and as lacking forthright communication, the CEO explained that he felt increasingly vulnerable in his relationship with his management team and the Chairman. The vulnerability he felt with his management team was due to the significant organisational changes he was implementing, some of which would have negative consequences for that team. The vulnerability he felt with the Chairman related to his knowledge that some of the management team had prior professional relationships with the Chairman from their interactions with him when he was an executive at other companies.

The CEO was concerned about this vulnerability because he relied on the Chairman for support during interactions with members of the board and of management. The CEO explained that it was important for him to reduce this feeling of vulnerability through developing a safe environment for himself and for the Chairman. The CEO explained that he took steps to move from vulnerability to safety, which included increasing his communication with the Chairman. He reasoned that because the organisational changes he implemented had been approved by the board, the Chairman would support the changes, regardless of any personal consequences for the affected individuals. He thought the Chairman would be comforted if he had more detailed and contextualised information about the changes in the business. The CEO asked:

> How do I protect myself? So again, because I was chatting with my chairman, that's the first thing I told my chairman [was], "This is what I'm doing with so and so, and this is what I'm doing with so and so. Be mindful they are not going to be happy." But as the word spread, as that poison spread, then the dynamics soured, and that spread itself to the board. And the dynamic that was happening at management spread itself to the board, and I could not control it at the board; I could control it at my management team level, and the corridor talk became unregulated, it just got out of hand. (D 29: Protea, CEO)

However, the CEO said that the more he explained the strategy, its implementation, its pay-off horizon, and its risks, the more the Chairman questioned the ability of the CEO to execute a strategy that lacked the full support of the management team. In sum, the Chairman and the CEO had a procedurally respectful professional relationship, but they failed to develop

a trusting relationship because they did not have a substantively respectful interpersonal relationship. Therefore, the more the CEO shared detailed information about his vision, strategy, and operational plans in order to reduce his vulnerability, the more he contributed to the dissolution of his relationship with the Chairman.

5.3.4. *Category 3: CEO attributes in a distressed organisation*

A deeper interrogation of the CEO's characterisation of his relationship with the Chairman revealed that the CEO was unable to anticipate their degree of misalignment. In this section, I analyse some of the key attributes that constituted the CEO's character. The relevant attributes include an accountability orientation, a bias towards strategy development, experience in and comfort with growing a business, and leadership inflexibility. In the analysis below, I also reflect on the consequences of these attributes for the CEO, including the possibility of paranoia and the ever-present prospect of loneliness. In sum, the CEO operated from a stewardship orientation and was unprepared for a Chairman-led leadership approach that was based on agency theory. The result was that the relationship between the CEO and Chairman relied primarily on distrust mechanisms.

Accountability attribute

The CEO often spoke about the importance of being open and transparent with the board and about receiving feedback from the board. His comfort with this type of engagement suggested that he considered accountability to and within the board important for his job. He believed that two-way feedback between members of management and of the board was a critical mechanism for a functional board; its presence meant people within the board felt safe enough to speak freely and frankly without fear of negative consequences. Therefore, the CEO believed that he was operating in a safe, stewardship-based relationship environment that allowed him to engage in an open and transparent manner with his board. He noted:

> So, I think always making sure that the dynamic is right, I love the board feedback, I never thought about it until I realised that it is a self-regulating mechanism about the effectiveness of the boards . . . . And it is particularly important when people talk about others, you squared it off with them, and you hear them at the end of your feedback: what is your role, what is the role of . . . you don't name members, but you say, you know, "What are the dominant characters, what are the

destructive behaviours that are emerging, which ones are positive behaviours?"
So that self-regulation is so important, because it means self-awareness is high,
and people are trying to strive for a better outcome. (D 29: Protea, CEO)

Strategic attribute

While Protea was a successful insurance company, it had recently experienced stagnation and decline, which was a reality its Chairman keenly noted. The extant CEO was appointed to bring fresh thought and innovation to a company that had once been considered a leader in the insurance industry. When I reviewed his resume, it was apparent that the CEO most frequently highlighted strategic thinking skills as his area of strength. His peers also held his strategic competence in high regard, and the CFO at Protea said, "I respect the CEO immensely; he is one of the cleverest persons I have ever worked with. He has a strategic brain second to none" (D 40: Protea, CFO).

As a strategy-oriented leader, the CEO was aware that he often viewed things differently from others. To ensure the success of the company strategy he pursued, he knew he needed the support of as many people as possible. This meant that he had to persuade people to understand and agree with his strategic vision. In reflecting on the CEO's approach, the CFO stated:

> He was taking decisions, he was being firm on where we were going. You know, so he started off very strong, came up with good strategy, got everyone around the table to agree. Then things started stretching out, stretching out, and decisions . . . we ended up in a lot of debates about debates about debates about debates, and we started losing some of the focus on execution. And I think that's when things started becoming, you know, difficult. And then there were a number of big calls that had to be made, and those calls were just not being made and had to be made but had not been made for a long period of time. Well, that was according to me. I think the CEO thought he had them in hand, but they were not visible . . . . But I would have felt uncomfortable enough that we weren't addressing an issue, that I would [disagree]. (D 40: Protea, CFO)

Although the CEO had a track record of strategic thinking, doubts about his ability to execute strategy started to emerge—first within the ranks of executive management and then within the board. When I questioned the CFO about his prior characterisation of the CEO as one

of the most strategic people he knew, I also mentioned comments the CFO had made about privately discussing his strategic disagreements with the CEO during conversations with the Chairman of the board and with chairmen of various board sub-committees. The CFO conceded that his views had not extended to the execution phase of strategic leadership. He said, "I can only agree with you, okay, so for me it's the ability to put the strategic plan into execution—that I don't feel we were doing correct—and this is not a CEO-issue, this is the company" (D 40: Protea, CFO).

The CFO's revised view about the CEO's strategic capability was caused by the CEO's indecisiveness at critical times and in relation to urgent matters. In turn, the CEO's indecisiveness was caused by disagreements about priorities. Some people within the management team and on the board believed that the CEO's indecisiveness about certain historical issues threatened the company's sustainability. However, the CEO believed he had made decisions that would secure the growth of the company. Therefore, what others saw as inaction, the CEO saw as action.

The lack of strategic alignment within management and between management and the board negatively affected Protea's short-term performance outcomes, and there was a sharp decline in Protea's share price on the half-year financial results of the period under review. Therefore, there appeared to be dissonance between expected and realised CEO performance in relation to strategy. This contributed to explaining the decline in the interpersonal trust and the increase in the institution-based distrust on the part of the board and Chairman in relation to the CEO.

Growth-oriented attribute

When the CEO was appointed, Protea was in an initial stage of another turnaround attempt, which followed a series of failed turnaround strategies by his predecessors. Because of his success in turning around other companies, albeit on a smaller and less complicated scale, the CEO expressed confidence that a growth-orientation path would rejuvenate Protea. However, the CFO later determined that during the period in which he was appointed CEO, Protea was not ready for a growth-orientation strategy. Instead, Protea simply needed a steady hand at the wheel.

From the statements in Table 16 (see Appendix 4), it is also apparent that the CFO recognised that the board had given the CEO a mandate to execute a growth strategy, which

the CEO then executed on the board's mandate. However, from what participants said during interviews, the board did not appreciate the full extent of the challenges when the CEO was appointed. Therefore, participants speculated that the CEO may either have been given the wrong mandate or have been appointed at the wrong time. While it is possible to opine what happened at Protea in hindsight, it is difficult to actually establish the appropriateness of the growth strategy; had the growth strategy yielded early results, the views expressed by the CFO may have been different.

Loneliness attribute

The strategic alignment within management and within the board served to isolate the CEO at Protea. Both the CEO and CFO expressed views that CEOs are often lonely because, unlike Chairmen, who call upon the counsel of their fellow board members, CEOs often have to carry the burden of disagreements within the company by themselves. The CFO believed that the reason for the CEO's solitary burden during distressing interactions with the board was that it cauterised the management team from board-level disputes about the CEO, so the company could operate with as little disruption as possible. The CFO noted:

> The board was exclusively spoke to the CEO . . . so the board had a session with CEO in the November, September [board meeting] . . . and so the board was not making this visible to management; they were working through CEO. So, he was taking a lot of the pain and not sharing it with his EXCO members. So, it must have been a very lonely period for him because, you know. I don't know, but I wouldn't have wanted to be in his shoes; it must have been extremely tough. (D 40: Protea, CFO)

As lonely as the CEO was, he remained committed to the growth strategy and to engaging the board and persuading them to stay the course; he was convinced that the growth strategy was right for the company. He was fully invested and believed that if the board continued to engage with him, he could continue persuading the board to support the strategy. At the same time, he believed that he had to push his team hard to implement the growth strategy, despite some opposition within the management team and within the board. In the board, he was the sole management representative in relation to strategic discussions. Consider the CEO's reflections on the mood within the boardroom:

Your team . . . because you're managing them hard, because I worked with that team, tried to mould it together, tried to move with it—and there came a time when I realised that "Chief, this thing won't survive." So, we started the process then; I didn't change my style, but I just ran things much harder. And that's where the cliques started showing. Now when you get somebody who just told you that "my friend, if this doesn't happen here, you won't be here next year because this is what it means for the company, this is what it means for us as an institution," clearly that is bound to . . . it's people's survival instincts kick in. (D 29: Protea, CEO)

Leadership-inflexibility attribute

On further reflection, the CEO recognised that he was as inflexible as the Chairman. He acknowledged that he was locked into a path by his approach to leadership, which was stewardship-based, as much as the Chairman was locked into his own path, which was agency-based. Their divergent leadership approaches contributed to their respective strategic inflexibility and to increased inertia precisely at a time when leadership flexibility was most required. The CEO reflected:

If I look back now on that score of painting the picture, the full picture versus directing attention on a particular point A and B, if I look back, this is really where dominant styles, we all have dominant styles that have helped us to make sense of the world. Actually, they are so dominant in us that they can't just hold themselves, that is how we look at the world, that is how we do things. (D 29: Protea, CEO)

Prior to his experience at Protea, the CEO had spent almost 30 years in the insurance industry at a successful company that generally experienced year-on-year growth. When presented with an organisation that appeared to have forgotten what success was and that had an impatient board because of prior CEOs' failures to rejuvenate Protea, the extant CEO had to deal with unfamiliar challenges and characters. From the results of this case study, I suggest that when appointing a CEO, members of companies should consider the alignment of the CEO's experience with that of the strategic mandate at hand. In other words, a success-oriented CEO may not be appropriate for a turnaround situation. Likewise, a turnaround-oriented CEO may be inappropriate for a successful company seeking to

maintain or elevate its success. Therefore, a CEO who is trustworthy in one circumstance may not be trustworthy in another.

5.3.5. *Category 4: chairman attributes in a distressed organisation*

In my analysis of how governance actors at Protea viewed the Chairman, I use attribute variables that overlap with those I used for the CEO but also include ones that are distinctive. The codes for the focal attribute variables I use are *growth orientation*, *experience as a non-executive director*, *truth*, *credibility*, *accountability*, *dominance*, and *rapport*.

Growth-orientation attribute

In his previous role as an executive, the Chairman presided over an extended period of positive company performance that occurred even during a series of economic downturns locally and globally. Therefore, I was not surprised that the Chairman supported a growth strategy when he was an ordinary non-executive but also when he became Chairman of Protea. While he supported a growth strategy, that support was conditional—it depended on the visibility of earnings or on the certainty of outcomes. According to the CEO, the Chairman managed external stakeholder relationships by focussing stakeholders' attention on what was visible:

> I think it's unfortunate that when we had a tough message, a set of tough messages to carry, it was under the era of a new chairman, and for whom his preferred method was telling people, "This is what I'm doing, and this is why." And my preferred method was explaining the journey, so that you understand its ups and downs but trust how the journey functions. (D 29: Protea, CEO)

When the earnings were uncertain, the Chairman's support for the growth orientation waned. Owing to his reputation, standing, and visibility in the business community, the Chairman was inclined to make sure that external stakeholders were managed in a manner consistent with his world view—an object-oriented approach to stakeholder management rather than the map-oriented one espoused by the CEO. This Chairman's visibility was a break from his predecessor's, who preferred to stay away from the media. The Chairman's external visibility created a new communication dynamic at the company, which had not been anticipated by members of management. Consequently, differences of opinion about

strategy invariably led to some difficulty managing external stakeholders, as noted by the CEO:

> The external world, when things are going well, it's less . . . they don't ask too many questions—in fact, if anything, they are looking for affirmation statements as to why these things are working well. Bizarrely, the chairman, the previous chairman, was very absent, and he didn't like that. So, our communication was easy and actually even the partnership with the CFO worked well, the message was very simple. (D 29: Protea, CEO)

According to his interviews, the CEO had never experienced a chairman that was as involved and visible as the new Chairman. Similarly, the Chairman was unaccustomed to a CEO that was as inflexible about strategy, once the strategy had gone through an approval process by the board.

Experience-as-a-non-executive attribute

Experience as a non-executive director emerged as a sub-category during analysis. The study's data revealed that the Chairman's style of leadership and level of involvement in the company were influenced by his experience as an executive director prior to his retirement. The CEO commented that the Chairman had limited experience as a non-executive director before he was appointed Chairman of Protea. The CEO criticised the Chairman for exhibiting behaviour appropriate to an executive director in his new role as a non-executive director—behaviour that was amplified in his role as Chairman at Protea. Referring to the Chairman, the CEO said that "the person was thrust into this role, it was their first time in such a role, that move from being an executive to non-executive" (D 29: Protea, CEO). The CFO also commented on the Chairman and said that "the Chairman was more hands on . . . and attended a lot of the meetings and spent a lot of time with the CEO—much more so than [the] previous Chairman would have done" (D 40: Protea, CFO). Because of the Chairman's limited experience as a non-executive director, study participants characterised his default style as too executive. His increased interactions with the CEO suggested that he needed constant reassurance that the CEO was leading the company in the agreed-upon direction. In other words, the Chairman needed constant verification that the CEO was performing to his expectations. This high need for verification indicated a strong application of the distrust mechanism.

Truth attribute

According to the CEO, the Chairman's habits of requiring access to information and constantly verifying performance were intended to uncover the *truth.* In this context, the Chairman treated truth as an object rather than as an intangible construct with multiple dimensions—some of which are known, some are unknown, and still others are unknowable. Once he understood the Chairman's perspective on truth, the CEO said he gained insight about how the Chairman preferred to lead the board and, by extension, the company:

> Reflecting on it now, I think knowing how that group was run, the biggest lesson I should have learned is if this is the person, and this is how they think, and how they present themselves to the world, that's an entry for them; that's the only way they can see the world! With any other representation, they will struggle, because chances are they will probably dismiss all the others and have chosen this particular one. Or even if they didn't choose, it has served them well for so long that they will default to it anyway. It will be like, "Here is a truth that works, why are we trying all the other things, because this works?" (D 29: Protea, CEO)

Credibility attribute

The concept of credibility is related to the concept of truth. The CEO explained that the Chairman's approach to managing stakeholders was to build credibility with them. His manner of building such credibility was to focus stakeholders' attention on the idea of objective truth by making specific, measurable, and time-bound promises and then being accountable to the stakeholders for them. The CEO noted that through this method—promising and delivering a result—the Chairman was perceived as building confidence with stakeholders:

> I'm just talking about how one manages the external world—he really believed that, he would bring an object to focus on, and then the next time you need to move that object here and you would tell them what has happened to that object. Whether it's significant or not actually is not material. What is material is that people need to sense that this move was made by you, it's a deliberate sort of action—and that was his method . . . . He believed you earned credibility by demonstrating what you said was going to happen. That's it. Can you see the difference? A very different way. (D 29: Protea, CEO)

Accountability attribute

The idea that the Chairman characterised truth as an object was also mentioned by the CFO through an anecdotal account of his experience as a newly arrived CFO at Protea. He recounted how the Chairman made sure that he (the new CFO), the former CEO, and the Deputy CEO explained and accounted for Protea's inferior performance to the senior management team, which was about two hundred people, at a conference hosted by the parent company. The CFO noted the Chairman made him do this, even though the CFO was new and had arrived after the year-end but before the finalisation of the financial results. For the Chairman, accountability had to be complete and transparent, regardless of its personal impact on those who had to do the accounting.

The Chairman's accountability attribute differed from that of the CEO. The CEO's characterisation of accountability was affirming and accretive, but the Chairman's was harsh and diminishing. The Chairman's approach to accountability was consistent with his approach to truth as an object—the idea of an objective truth. According to the CEO, the Chairman demanded accountability for objective performance, regardless of the cost to the people being held accountable:

> So, he was not affirming, I suppose, of our message. Not that he didn't believe it, he just couldn't relate to the language we were using. And in communicating to the world then, that says a lot. When things are going well, nobody cares, when things are going badly, it says a lot. (D 29: Protea, CEO)

The CEO also said, "So, the chairman will then default to short measurable things that he could see, whether they were of significance or not, it doesn't matter. And there is a secret in that, and it is really a true strength" (D 29: Protea, CEO). Notably, this view of the Chairman as not-affirming contrasts with earlier views depicting him as a gentleman. At Protea, study participants underscored the dark side of the Chairman's approaches to accountability, openness, and transparency.

Domineering attribute

Interviewees in this study, as well as his former colleagues, attributed a domineering personality to the Chairman. Whereas the Fynbos Chairman led the board collegially, the Protea Chairman led the board officiously—as an executive rather than as a non-executive.

People viewed his domineering approach both positively and negatively. The CEO said, "the person that was there was a no-nonsense person, nobody dared to show their hand" (D 29: Protea, CEO). The CEO felt strongly that a consequence of the Chairman's officious approach to the board was that it limited the role of the board to simply monitoring the performance of management against pre-specified objectives. In so doing, it restricted the scope of conversation and engagement to what was on the agenda, which was invariably controlled by the Chairman. The net result was that corporate governance was reduced to a compliance mechanism as opposed to a value-adding one. The CEO noted that real discussions were subverted because members of the board were intimidated:

> The chairman believes very strongly that you tell the board what to do, you actually sort the stuff out and the board is . . . you manage the board. In fact, if stuff works well, it should be a clinical board: "This is what we said we were going to do, this is what we have done. This is what we said we were going to do, this is what we have done. Are you happy?" "Yes." "Fantastic. Governance is in place, it's functioning well, tick tick—let's go." So, it's a different mindset regarding what the role of a board is. It is not an engaging board. (D 29: Protea, CEO)

The CEO also said:

> We had a strong personality, and everybody knew this was a strong personality because they couldn't confront that personality themselves, but personality was there, ever-present. Everybody then just went under, and the dynamic that played itself is the cordial engagement calling out on obvious things, the really critical issues were never had . . . the soft and subtle things were not named and brought to the table to be dealt and named. (D 29: Protea, CEO)

The CFO held a different view about the relationship between the Chairman and the CEO. He said the Chairman behaved appropriately under difficult circumstances. He suggested that the Chairman's involvement helped him develop a deeper understanding of the business, but he showed restraint in his public interactions with the CEO. The CFO also said that from what he witnessed, the Chairman showed support for the CEO. The CFO speculated that the Chairman used his dominant personality to cross boundaries that members of management preferred him not to cross. He also said the Chairman simultaneously used his dominance as a buffer to protect the CEO from members of the

management and of the board who disagreed with and rebelled against the CEO. According to the CFO:

> The Chairman got a lot more involved in understanding in how we were driving the business. Ja, it's difficult in that you know the Chairman had to give CEO the benefit of the doubt, so I don't think he could have acted faster or differently to what they did. It would have been difficult for him to have acted differently. So, I think he managed that whole process which must have been very difficult—I think he managed it, I wasn't in all the meetings, but I think he managed it very well and giving input to the process. I wouldn't have wanted to be in his shoes. It is a very difficult process to manage. Look and he's a tough guy, so ja. If you ask me about what happened when I resigned . . . (laughs) I won't go there, it's too painful still! (D 40: Protea, CFO)

The CFO also stated:

> I must say, you know, me and Chairman hadn't been the best of [friends] . . . (laughs) we have had our run-ins even while we were at the bank, but he was extremely supportive as the chairman through both the stress time we went through—you know the financial results were . . . . Very supportive. In fact, the more stressed things became, the more supportive he became, even to the CEO. So . . . and the more he was saying, "Guys, you've just got to go and do this." So, we were going through all this, and this was leading up to a very stressed set of financial results . . . . But it was stressful for us, it was stressful for me from June because I could see what was going to happen in December. If we didn't fix things. And we then came out, we had a very poor set of results. (D 40: Protea, CFO)

Notably, the Chairman's dominant and involved personality elicited opposing views from the management team. This may reflect a values alignment between the Chairman and the CFO but a misalignment between the Chairman and the CEO. The misalignment between the two most senior officials of the company negatively affected Protea. For example, the CFO expressed his suspicion that when he discussed the Chairman's fundamental differences with the CEO, he may have contributed to the demise of the CEO's tenure. The CFO found this stressful, and it caused him to reflect deeply about his loyalties—loyalty to the CEO or loyalty to the company:

So I ended up going to the board, highlighting my concerns—which obviously created a massive issue—so I got called in by the CEO, and he said "Why did you go to the board?" When I say I went to the board, I went to the chairman, the chairman of the audit committee, I went to a leading independent director, and I said, "I'm concerned about these three or four areas, and I'm also concerned about the way certain businesses are run." This is after raising this with him as a CEO many times. (D 40: Protea, CFO)

The CFO also stated:

It was strained, but it was never disrespectful, it was never . . . look, we had some very honest and hard-hitting meetings where the CEO questioned me on how could I break his trust and you know . . . so it was those . . . but never did this get into a situation where it was disrespect. (D 40: Protea, CFO)

In sum, the Chairman's domineering personality had different effects on the management. On one hand, the CEO experienced the Chairman as oppressive. On the other, according to the CFO, the Chairman's style was a necessary leadership intervention during a period of organisational distress caused by internal factors and actors.

Rapport attribute

While the CEO and CFO did not experience the Chairman's domineering personality in the same way, their perspectives on the rapport between the Chairman and CEO were consistent. Both agreed that rapport was important because it facilitated effective and efficient interaction. Beyond the importance of rapport for enhanced engagement, the CEO grounded the development of rapport in shared values between parties who desire it. This suggested that a lack of rapport indicated an absence of shared values. These views are reflected in Table 17 (see Appendix 4). At Protea, rapport was generally viewed as an outcome of respectful engagement.

5.3.6. *Category 5: the level of board effectiveness*

My deep analysis of the relationship dynamic between the Chairman and the CEO provides a partial view into the effectiveness of the board. A complete view would require interviews with every board member. However, this partial view does illustrate contrasting views about

the dynamics within the board at Protea. For example, the CEO characterised the board as both engaging and dysfunctional:

> My board is very engaging in my mind, because it allows the space between management and the board as a governance and a custodian to my mind, of somebody outside the organisation—because that's, I think for me, it's a proxy for the public that we're accountable to—that's what the law has put there. There's a proxy that you have to have a group of people who if you asked them "How would you like to have done it?" at least those people should have said, "This is how I would like to have done it—for these reasons." (D 29: Protea, CEO)

The CEO also noted:

> I think it is one of the things that he had to rectify when he appointed my successor—that the board had become dysfunctional, the board had got out of hand in how it dealt with matters. So yes, the board had got dysfunctional, but I suppose the reasons for it—he may have slightly different reasons to mine—but equally, I think where the difference would lie is what is the role of a board? I think we've got different views, on reflection, as to what the role of a board is, between the chairman and I. The people I tried to bring to the board when I was there, I didn't always get it right: I wanted people that were going to stretch us. (D 29: Protea, CEO)

These contrasting views reflect the CEO's perspective on the board over two time periods separated by a year. The first quotation is positive, and he made it during an interview at a time when he and the board were still strategically aligned. The second quotation is negative, and he made it several months after he resigned, which occurred after a fallout between him and the board. It is therefore possible that both perspectives are fair reflections on the board at separate points in time. This suggests that there was a change in the dynamic and that the board shifted from exemplary to dysfunctional. The CEO offered an indication of the catalyst for that change:

> The Chairman started engaging with the organisation widely, the board members started doing the same thing. Upon reflection, my naivety said, "I've got nothing to hide, if you want to talk to so-and-so, by all means talk to so-and-so." My predecessor was paranoid about that; he regulated who spoke to who—in fact to the point where he would phone if he discovered that you were having a long chat

with a board member. He wanted to know chapter and verse what was that about? And I used to think he is such a sorry soul for wanting to regulate conversations between adults, and I think I did it the opposite—to my detriment. (D 29: Protea, CEO)

For the CEO, openness and transparency are dimensions of trust relationships. However, the impression he created was that openness and transparency were used against him by distrust-oriented governance actors at Protea, which ultimately led to his resignation.

5.3.7.   *Case summary*

At first glance, the data suggested that the Chairman's trust in the CEO was neutral. This was partly supported by evidence provided by the CFO. For instance, the CFO said that the Chairman was quite supportive of the CEO during the phase of distress, particularly when the share price declined by 10% in one day. However, as strategic disagreements started emerging among governance actors at Protea, and as evidence of unsuccessful strategy implementation became apparent, the overall levels of trust decreased, but the levels of distrust remained relatively stable.

While the relationship of trust between the CEO and the Chairman was initially neutral, their level of distrust was high—evident in the Chairman's need for verified information from the CEO. The CEO was happy to have an open and transparent engagement process, in which he shared a great deal of information with the Chairman, which supports my contention that the CEO must have trusted the Chairman to act in the best interests of the company. From both interviews over the year-long period, there was no indication that the CEO questioned the *bona fides* of the Chairman; he took him at his word. However, as time passed, the CEO's trust in the Chairman declined, and his distrust increased. This over-socialised view of the world resonates with the risk of an over-reliant stewardship approach to corporate governance.

Table 9

Protea Chairman-Led Leadership Board Dynamic

	Categories	Codes	Variable
1.	Chairman-CEO Relationship Basis	Professional basis; evidence-based; values-based	Institutional distrust-based trust development
2.	Distressed Firm CEO Attributes	Accountable, strategic, growth-oriented, flexibility, loneliness, rapport, respect, stewardship-oriented	Trust-based mechanisms
3.	Distressed Firm Chairman Attributes	Accountable, domineering, credibility, disrespect, experience-bias, need for certainty, agency-theory oriented	Distrust-based mechanisms
4.	Board Task-Effectiveness	Engaged, divided, dark side of openness, dark side of transparency	Distrust-based mechanisms

Note. Author is the source.

Unlike the Fynbos case, the Chairman-CEO dyadic pair at Protea was characterised by greater diversity factors. In the Fynbos case study, age was the only superficial diversity factor. In the Protea case study, several superficial diversity factors were present: age, race, and professional background. From the combined effects of these diversity factors, especially professional background, I suggest that the Protea dyadic pair had markedly different sensemaking approaches.

The multiple diversity factors negatively affected the sensemaking approaches of the dyadic pair, which negatively influenced their interaction (Weick, 1993). A unique feature of this case is that it revealed distinctions between notions of respect, respectful engagement, and mutual respect. In this study, respect is defined as an attitude characterised by a "cognitive, affective, motivational values dimension . . . [represented by a] form of regard: a mode of attention to and perception and acknowledgement of an object as having a certain importance" (Dillon, 2007, p. 202). Respectful engagement is based on understanding that "respect is a foundational condition of human connections, representing an affirmation of human existence and dignity . . . is not automatic, but depends on one person granting presence, dignity, and affirmation to another" (Carmeli, Dutton, & Hardin, 2015, p. 1022). Mutual respect consists of the moral recognition (including consideration of moral standing) of one person by another. The Fynbos case study highlights the importance of mutual respect, but the Protea case study highlights the value of respectful engagements,

particularly when mutual respect was absent. The Protea case study illustrates that a suspicion-based relationship, governed through institution-based distrust and characterised by negative respectful engagement, is unlikely to become functional.

The relationship between the Chairman and the CEO began during a period of weakened operational performance and with shareholders demanding a change in direction. This negative context was accompanied by a board that was more dominant, vigilant, and involved than the one that had appointed the CEO (Lewellyn & Muller-Kahle, 2012). The extant board, during the period under review, had a chairman who was much more involved and engaged than his predecessor, which shifted the leadership dynamic: It moved from CEO-led to Chairman-led (Morais et al., 2018). This change in leadership approach foregrounded the suspicion-based relationship dynamic that later emerged between the Chairman and the CEO. Their relationship was further characterised by negative respectful engagement (Carmeli et al., 2015), which was demonstrated through the Chairman's high need for evidence-based information from the CEO.

The agency-theory-oriented Chairman's high need for certainty undermined the stewardship-oriented CEO's assertion that openness and transparency (see Table 9) are essential for effective relational dynamics between members of the board and of management and between the Chairman and the CEO. As a CEO who was appointed to usher fresh-thinking, innovation, and substantial growth into the business, the extant CEO was vulnerable to the board, which was led by the Chairman—who preferred greater certainty along the transformation journey. This vulnerability, coupled with a chairman relationship devoid of mutual respect and characterised by disrespectful engagement, caused the CEO to feel increasingly isolated from the board and the rest of the management team. Therefore, misalignment along key dimensions, coupled with the Protea dyadic pair's strategic and leadership rigidity, contributed to poor board task-performance. Eventually, their only solution was to change the leadership.

The major consequence of the relational misalignment between Protea's Chairman and CEO was a shift in the board-management relationship from one that had high trust and low distrust to one that had low trust and high distrust. However, as the board became increasingly dysfunctional, some members became disgruntled, while others grew satisfied with the changes made under the direction of the Chairman. The dissatisfied directors became less trusting, which led to high distrust. The satisfied directors continued to have

high trust in the group CEO but also became more critical of him and thus relied on the distrust mechanism of verification. Therefore, I conclude that despite the professional foundation of the relationships at Protea, the mechanism of trust within the company was weak, but the mechanism of distrust was strong.

5.4. Hibiscus Bank

5.3.8. *Company description*

Founded more than 50 years ago, Hibiscus is one of the three largest banks in Zimbabwe, as measured by the number of depositors, cost-to-income ratio in the banking industry, number of transactions process, and profits earned and declared to shareholders. Hibiscus has evolved over the years from a retail-only bank to one that now includes business banking operations and provides transactional services to the government.

Organisational distress

Operating in Zimbabwe, Hibiscus has had to contend with the effects of economic destruction as a result of former President Robert Mugabe's political rule. Economic decline in the country caused periods of hyperinflation (2003 to 2009), the dollarisation of the economy (2009), and the draining of foreign currency, which resulted in widespread unemployment and poverty. The government's decision to abandon Zimbabwean currency and to adopt the United States dollar in 2009 decimated the balance sheets of all Zimbabwean banks, and they had to start over from zero. Although Hibiscus had existed for more than 50 years, it had to be rebuilt after the dollarisation of the Zimbabwean economy. The company achieved this objective within two years (see Table 10).

Table 10

Hibiscus Financial Performance

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Profit ($'000)	6,765	18,864[§]	23,741	18,397	24,030

Note. Hibiscus Annual Financial Statements (§ Results for 18 months following change in year end, all other results for 12 months.)

Governance Structure

Hibiscus is governed by a unitary board consisting of more than 10 directors, of which three are executive, and three are non-independent. The three non-independent board members have ties to the company's major shareholder. Hibiscus's board is led by an independent

director, and every board sub-committee is also led by an independent director. Therefore, while most of the directors are non-executive, the majority are non-independent.

Synopsis

An externally initiated, systemic organisational distress at the country level provided the context for the Hibiscus case study. The interviews I conducted tracked specific aspects of the relationships between the CEO, the Chairman, and the CFO, which act as proxies for the relationship between members of the board and of management. Despite the systemic basis of the company's organisational distress and the turbulent political environment in the country, the Hibiscus data revealed the consequences of a relationship alignment between the Chairman and the CEO. This alignment contributed to functional interactions and practices among board members, within the management team, and between members of the board and management. Hibiscus provided an example of a well-functioning board that was faced with external organisational distress caused by factors beyond the control of anyone at the company.

5.3.9. *Category 1: trust and distrust in the boardroom*

Whereas the governance actors at other companies in this study readily spoke about trust of their own accord, those at Hibiscus did not. Owing to the positive professional relations that regulated this effective board, trust was taken for granted by the governance actors I interviewed. However, the Chairman spoke about the confidence he had in the board, CEO, and management at Hibiscus:

> Ja, following up—that is not my role—they have the chair and have got the responsibility and accountability for it all. You give somebody responsibility, they are accountable for it. That is how we operate. What else can I say about that, a better way of articulating it is simply to say they are responsible for their committees, they are entitled to get all the resources, external or internal, to help them do the work, okay? The board wants to see an accurate report or reflection of what is going on, in each committee, and that report back is sufficient. You have got to have confidence in people also, okay? Not necessarily trust, but confidence. (D 34: Hibiscus, Chairman)

The Chairman noted that confidence is grounded in histories of acceptable performance by the CEO and by members of the board and of management. When I pressed him to speak about his opinions on trust, the Chairman expressed a discomfort with trust because of its inherent vulnerability and uncertainty. He instead emphasised the notion of confidence because he considered it evidence-based. He said confidence is more tangible than trust, and trust is naturally nebulous and potentially dangerous. As the Chairman noted:

> Trust can have a blind spot to it [trust], you know? Confidence means that you are informed about what they are doing, you have a better basis of judgement, of what they tell you . . . . Your behaviour, how you carry yourself and the kinds of questions you ask and the return back, you know. There is also an historical element in it as well, over time you will begin to learn that people are not doing their work, like in any management situation. You get a report today, and somebody tells you something; tomorrow they change their story. Okay? Now you are beginning to doubt them, isn't it? But if they give you consistent reports, you build confidence, reliability. You say this person has stood out and his information is credible. And you can only do that experientially. Through experience. There is no other litmus test. There is no other dipstick to find that out. It is through experience. And without experience, you can't make a judgement, you can't make a call on that, can you? It is not possible. (D 34: Hibiscus, Chairman)

The evidence to which the Chairman referred was practical and grounded in actions and realised behaviours as opposed to intentions and promises. He invoked a repeated pattern of behaviour that built confidence in other people, which, in turn, enabled them to rely on each another. He noted that when governance parties relied on one another, they allowed themselves to be vulnerable with each other. Confidence, reliance, and vulnerability were components of his perspective on trust. I suggest that trust was operational at Hibiscus, despite the fact that governance actors appeared to take it for granted. However, it was operationalised through distrust mechanisms such as the need for a continuous history of desired performance.

In this environment, where trust was operational but not explicitly acknowledged, the CFO spoke of the supportive, open-door policy of the audit-committee chairman. His description of the audit-committee chairman was consistent with the leadership style of the Chairman of the board. He described a relationship in which the audit-committee chairman held him

accountable and guided and supported him. He said all their activities occurred in an environment of congruent values:

> By very supportive, I mean that his doors are always open. He makes time for me. He fully ventilates the issues. We have a professional relationship and a good rapport. Our relationship works. The good rapport may be due to us having similar values. We both like to do the right things and do them well. He makes his expectations very clear and early in the day. There is value congruence of both the visible and the invisible values. Our values have never clashed. In addition, values congruence is both within the bank and across the group. (D 27: Hibiscus, CFO)

Audit committees are the most important verification mechanism available to directors. The CFO expressed values congruence with the audit-committee chairman, which suggested that he had confidence in governance actors who used distrust mechanisms. Such data further support my inference that the trust at Hibiscus was operationalised by distrust mechanisms.

5.3.10. *Category 2: the basis of CEO and chairman relationships*

Professional-based relationships

According to archival documents, the Chairman, who is more than 60 years old, is an accomplished economist with experience in multi-national banks and multi-lateral institutions. In the past, he served as CEO of state-owned banking institutions and held senior positions in banking associations. He had many years of experience as a non-executive director in a variety of industries, including banking. The Chairman stated that he was invited to join the board of Hibiscus after he retired from his executive roles because of his extensive experience in both the private and the public banking sectors. The CEO, who is more than 50 years old, is a chartered account with many years of experience—first as partner in one of the big four global audit practices, then as financial director in the insurance and banking industry, and now as CEO of Hibiscus. The CFO, who is more than 40 years old, is also a chartered accountant whose primary experience is in banking. The CEO and Chairman did not have a relationship prior to working at Hibiscus. Likewise, the relationship between the CEO and the CFO began at Hibiscus. While the three had no history with one another, they all had reputational awareness of each other because of the small size of

Zimbabwe's banking community, the prominence of Hibiscus Bank, and the Chairman's pre-eminence within the banking industry. As the CEO noted:

> It's a pretty small town, so yes, they know each other. But I would say . . . I am trying to think of who would socialise with someone else on the board, outside of the boardroom. I would guess almost nobody that I can think of that is likely to regularly go out and have dinner with someone or have a drink with the or whatever. As far as I can think, there is just about no one who would probably socialise with out there, but everyone is pretty well known to each other in this town, you know, there is a relatively small population of senior business people I think. (D 23: Hibiscus, CEO)

From study participants' indications, the relationships between governance actors at Hibiscus were professional-based. The proximity of their careers, the size of the banking industry, and their similar academic backgrounds suggested that the CEO, CFO, and Chairman were grounded in similar professional traditions, which may have augmented their sensemaking stability. Therefore, I suggest the professional basis of their relationships was built on a foundation as stable as that at Fynbos, but it contrasted with the foundation at Protea, which was characterised by professional diversity. The CEO stated:

> But we have got how many CA's (chartered accountants) . . . Apart from obviously as execs myself and the FD (finance director) are both CA's, the FD by default obviously, then we have another one . . . . Is it only one CA . . . No, two CAs—one who is in finance in a mining company who is now CEO of a big retailer—but he is a CA by background. And we have another one who is not a CA, but I think he has a financial background, more in management accounting. But then we have at least two lawyers, and a few other skills . . . . Oh, we do have another CA I forgot about, but he is our group CEO of the [a leading financial service group]— so again, he sits on the board. (D 23: Hibiscus, CEO)

Evidenced-based relationships

Banks are highly regulated and technical financial institutions. According to the CEO, this is why Hibiscus places a premium on financial technical skills among its top management team and its board members. The high number of chartered accountants among board members and the executive management team was intended to demonstrate that Hibiscus is governed and managed by appropriately qualified individuals. Consistent with the views

expressed at Fynbos, the traditions associated with the career that most board members held tended to dominate board interactions. This view was supported by comments from all three governance actors that I interviewed. Consider the following comment by the Chairman:

> The judgements are only a residual, the first important part is the collection of information, it is analysis, and synthesisation, to say, "This is what we have been able to distil, this is the world as we see it today. It may change, but this is how we see it today." And on that basis, what set of actions are required to achieve objective A, B, C, D? Okay? What actions do we require, what resources do we require, what time line do we have? And we agree? It is like running a battle, or when you are running an army so to speak, you are in battle, the first thing you do is not to go to the CGO and mass resources and pile them up: You work out a strategy first. You have to work out the strategy first: If you pile up resources and logistics and all that stuff before you go in, you will blow the whistle and say, "Let's go into battle"—you don't just go in there blindly. Similarly, if there is an objective that we want to achieve A, B, C, D, okay, we do the analysis, set the goals, agree on time line, and then we go—to war—and ensure we win that war. (D 34: Hibiscus, Chairman)

The Chairman described a rational, deductive, and sequential approach to decision-making, in which information is collected, analysed, synthesised, and prioritised with the intention of arriving at a decision before action is taken. The Chairman used a military metaphor to illustrate the difference between effective action based on strategy-planning and ineffective action unsupported by a plan. He noted that the board made deliberate actions, which were based on deliberate thought informed by appropriate information. In this environment, interviewees expressed an expectation that members of management would convey appropriate information, which would provide evidence for effective decision-making and support effective action. According to the CFO:

> When debating a fundamental issue, a member of management must communicate what the issue is, what it most likely lead to, what it should lead to, and articulate the key issues and risk. When considering the risks, the board Chairman will invite members of the board to have their say. Members would then dig into the issues. His style is to allow members to dig in and occasionally nudge them. Once the issues have been ventilated, the board Chairman then sums up the issues and presents a

consensus view for the board to support. Once a consensus is reached this way, then a decision is confirmed. (D 27: Hibiscus, CFO)

The CFO described an evidence-based decision-making process in which members interrogated issues to reach consensus. The evidence-based decision-making process articulated by the CFO suggested that the Hibiscus board valued consensus. In turn, the board needed to agree about process and about the nature and sufficiency of evidence. This had implications for the values basis of relationships within the board, which I represent through two focal players: the Chairman and the CEO.

Values-based relationships

The CFO explained that the board members had an open-door policy. The Chairman or audit-committee chairman, for example, encouraged members of management to interact regularly and freely with the board on matters that would help the board fully understand important issues that needed to be "ventilated." This open-door policy was made possible by people's commitment to values such as honesty, respect, availability, and accessibility. Together, congruence around these values contributed to building rapport within the board and between the board and management—and such rapport reduced conflict. As the CFO recounted, "once again, there is values congruence between the Chairman and the board. When values clash, then the level of conflict escalates" (D 27: Hibiscus, CFO).

Honesty-based relationships

Study participants described the value of honesty together with the concept of intensity. They suggested that honesty can occur even in charged environments and that people at Hibiscus are committed to authentic engagement. The CFO used the metaphor of sandpaper to explain the relationship between honesty and intensity, and he said that honest, authentic engagements improve the quality of business decisions. Combined with interviewees' earlier comments on the importance of information quality to evidence-based decision-making, I suggest that the kind of honesty the CFO invokes below also underpinned the professionalism of the relationships within and between governance actors at Hibiscus:

> As a board, we engage with honesty and intensity. The more honestly and intensely you engage, the better the quality of decisions. It is like sandpaper, the

more honestly and intensely you rub it, the smoother it gets. Honesty and intensity improve our decisions. (D 27: Hibiscus, CFO)

Respect-based relationships

Consistent with the experiences at Fynbos and Protea, respect was a critical value at Hibiscus. Whereas respect was a property of individual choice in the Fynbos and Protea case studies, it appeared to be a property both of individuals and of society at Hibiscus. The CEO discussed this point:

> [The] CEO of [one of the largest financial services groups in] Zimbabwe . . . sits on the board. I suppose as the execs and senior managers who sit in the board meetings but aren't members—I guess a lot of people would be more deferential to him than they maybe should be as independent voices, sort of thing . . . . As I say, there is that culture, I don't know if it's generally Zimbabwean or Shona or what, but there are some people who won't even call him by his first name, that is almost sort of taboo—even though he encourages it and . . . . Ja, ja, but I guess you have got to sort of respect how people feel they ought to operate as well. (D 23: Hibiscus, CEO)

He suggested that respect for a person at Hibiscus was located in the specific attributes and behaviours of individuals, as well as in the social norms of the "respector"—particularly in relation to Shona and broader Zimbabwean culture. His comment also implied that respect at Hibiscus is located in a hierarchical structure where power features prominently. Ideas about the roles of power and respect at Hibiscus were echoed by the Chairman when he described the role of criticism within his board. He explained that some people did not take criticism well and that he encouraged constructive criticism:

> We will be at a board meeting, typically if you have a mixed group, you will find if it is an American, they are the ones who will speak. You will just keep quiet, or you will say something very politely. Either that, or that may also be that we are trained to respect power, from a very young age—whether earned or not—and in America, you have got to earn it. I think that is a good difference, you have got to be perceived to have earned it. That means through persuasion, through how you carry yourself, through how you interact with people. (D 34: Hibiscus, Chairman)

In addition, the governance actors at Hibiscus constantly spoke about the significance of the political players under the government of then-President Robert Mugabe. In Zimbabwe, power has historically dominated the political and business landscape, which partly explains why people at Hibiscus framed the value of respect both in personal and in institutional terms. The value of respect influences two other values that are closely related.

Availability-based relationships

Availability is a primary variable that interviewees at Hibiscus associated with respect. The CEO explained that it was important for directors to be available to members of management to discharge certain administrative functions between board meetings. As with any organisation, the CEO and his management team operated on a mandate delegated by the board. However, unlike other non-banking organisations, Hibiscus's delegation of authority also enjoined some board members to be co-signatories (i.e., to share authorisation) on certain transactions. For this component of the authority-delegation to be operationalised, non-executive directors had to be available at short notice; this placed a burden on such directors and was an unusual task for non-banking directors. According to the CEO, both the directors and members of management had to act responsibly in relation to such availability demands:

> Ja, like I say, you have got to ensure availability, whether it's just that there is an availability, but so that if people are busy people, that they do understand the need to make that time available and quickly, you know? It is very different from other companies. And then I think, and as I said, where we might be slightly diverted at the moment . . . . You have really got to manage, I mean it is great to have retired bankers, regulators, CAs and so on, but you really do need that technical input these days, I think. Ja, whether it is technical or marketing, but I think we suffer a little bit for lack of that. (D 23: Hibiscus, CEO)

Accessibility-based relationships

Accessibility is a second important variable interviewees at Hibiscus associated with respect. As much as the non-executive directors were expected to rise to demands for availability, the executive management team was enjoined to be accessible to the board to help them discharge their responsibilities. Accessibility was required within both formal

board meetings and informal meetings. Within board meetings, members of the board would generally interact with the three executive directors and the other executive-management team members who attended as invitees. This improved openness and transparency at Hibiscus. Outside formal board sessions, board members could engage with the top management team as long as they kept the CEO informed about such engagements. The CEO commented on this type of collaborative environment:

> Well, as I said, our sort of top management, apart from the three executives in the main board meetings, we would have another four or five of our management team in there as well, you know, head of corporate banking, head of retail, various other people in there. So, they will see them there, and then with all these sub-committees, obviously you will see the risk managers, the internal auditors, you will see other credit people further down the line and so on. (D 23: Hibiscus, CEO)

The CFO also addressed this point when he said, "The board has made it clear that when the executive management needs an audience with the board, then the board will avail itself. Of course, I will liaise with the MD before making use of this invitation" (D 27: Hibiscus, CFO). The comments from people at Hibiscus about these two values, availability and accessibility, echoed some of the ones made by the Fynbos Chairman when he reflected on what attributes an effective chairman should have in order to communicate with a CEO. Study participants at Hibiscus, however, extended the importance of these values to the entire board. I suggest these constructs—availability and accessibility—deserve further consideration among corporate-governance scholars.

Rapport-based relationships

From my analysis of the Hibiscus data, I found that relationship dynamics at the company were based on the shared values of honesty and respect and were augmented by the values of availability and accessibility—all of which underpinned the rapport between members of the board and management. The idea that shared values undergird rapport, which is necessary for effective business performance, was consistent with similar views expressed by governance actors at Protea. The general view was that a company's CEO and Chairman had to have mutual rapport grounded in shared values. Study participants noted that the rapport between the CEO and Chairman filtered throughout the organisation and

particularly affected derivative relationships such as those between the CFO and the audit-committee chairman. The Hibiscus CFO said:

> By very supportive, I mean that his doors are always open. He makes time for me. He fully ventilates the issues. We have a professional relationship and a good rapport. Our relationship works. The good rapport may be due to us having similar values. We both like to do the right things and do them well. He makes his expectations very clear and early in the day. There is value congruence of both the visible and the invisible values. Our values have never clashed. In addition, values congruence is both within the bank and across the group. (D 27: Hibiscus, CFO)

Chairman-CEO centrality

The CFO expressed that the interaction between the Chairman and CEO was not visible to him. Notably, the Hibiscus CFO was one of two governance actors (out of a total forty-three interviewed) who declined to have his interview voice-recorded. When I asked about the reason for his discomfort, he indicated that while he felt safe speaking to me, he was unsure whether he might say something that could be used against him in the future. Therefore, he stressed that his views on the relationship dynamic between the Chairman and the CEO were based only on his perceptions of the limited interactions he had observed. The lack of safety the CFO communicated suggests a more bounded relationship among governance actors at Hibiscus than other participants indicated. As the CFO said:

> To begin, the interaction between the CEO and Chairman is not visible to me. Based on the board interaction, the CEO and Chairman appear to have a good relationship. Also, the CEO and Deputy Chairman also have a good relationship. (D 27: Hibiscus, CFO)

While the CFO may have been nervous about being recorded, he was comfortable explaining how the values-congruence between governance actors at Hibiscus contributed to positive relations between the CEO and the Chairman and between the CEO and the Deputy Chairman. The Chairman also articulated a similar opinion when he described the nature of his relationship with the CEO as collegial, without acrimony, and grounded on competence. The Chairman expressed appreciation for the experience, competence, and actions of the management team, as represented by the CEO:

My relationship with the CEO—you know, these are very well-trained guys, the CEO has an accounting background and has been in the system for a long time . . . very steady. Here we have never had acrimonious relationships that happen in other institutions, it has always been very collegial. You set the tasks, the board sets the tasks, it sets the parameters and the management executes them. Management also brings new ideas for evaluation. It has been working very well. Maybe it is personalities, I have been fortunate to work with people who are very switched on and who are dedicated to their work—not only here, but elsewhere. (D 34: Hibiscus, Chairman)

Emphasising the collegial nature of their relationship, the Chairman further stated that even when the management team delivered disappointing performance, that disappointment was not handled acrimoniously, because the members of management provided productive explanations for their performance. The Chairman explained that poor performance was acceptable if people learned from it and that failure to learn was a bigger problem than actual performance failure:

Ja, ja. We don't have acrimonious relationships where you feel like getting on to somebody's collar. We don't have that, okay? Things may not turn out as we had planned, and there is a good explanation of it, there is no need to go into that, you correct and you learn from it. And as long as you do that, you're okay. If you don't learn from it, if all parties don't learn from it, then you have a problem. (D 34: Hibiscus, Chairman)

5.3.11. *Category 3: CEO attributes in a distressed organisation*

Open and transparent

The Chairman explained that the CEO facilitated management issues within the board. He did this by allowing his management team to state their arguments directly to the board. This provided the board with direct access to members of the executive management. In this way, the CEO demonstrated an open and transparent way of engaging with the board. As a result, the CEO built trust with board members because he communicated his trust in his management team and thus invited the board to trust him. The Chairman said:

When dealing with issues in the boardroom, the CEO deals with high-level issues. He then allows each functional head to table their issues directly to the board. But the CEO knows what the issues are. So, if needs be, he facilitates delivery of the issues from the functional heads to the board. (D 34: Hibiscus, Chairman)

The CEO explained that it was important to be open and transparent in your interactions with the board members and with the regulators because of the broader dynamic in Zimbabwe—one of low trust. Mutual openness and transparency enabled the CEO and board members to successfully navigate their operating environment. The CEO noted that in a broader environment of low trust, transparency provided protection; it communicated to the board and to the regulators that the CEO had nothing to hide and that he was doing all he could to address problems as they arose:

> You know, if there is one thing I think we have learnt over the years, it is be upfront with your board, give them no sort of nasty surprises and the same thing with the regulator. If you found a problem, go and tell them about it, as early as possible, and hopefully with a solution as well sort of thing, so that they don't discover something that you have either been hiding or that you didn't know yourself. (D 23: Hibiscus, CEO)

The Chairman and the CEO independently described a past situation that could have exposed the bank to regulatory and political censure. Both carefully described this situation in a way that would not reflect negatively on them if a regulator were to read about it in future. They described an event where funds intended for tobacco farmers were deposited into Hibiscus by the government but were mistakenly used to pay government employee salaries. This was a serious mistake in Zimbabwe's larger context—a country operating with limited funds in a volatile political environment. The Chairman provided his perspective on how the mistake was addressed:

> Pretty much, the people make mistakes, they are not intentional. For example, we had a case where the Reserve Bank allocates us some cash, and when money comes into the bank, it comes tangibly, and unless instructions are very clear where it is supposed to go, it can go where it is not supposed to. We need to dictate. So that money was earmarked for tobacco farmers. And it doesn't have a level, okay? So, somebody made a mistake and paid that out as salaries to other

branches of government, okay, whereas that money was earmarked for the farmers. And the farmers made a big complaint about it because they hadn't received their money. So, we were fined for that. But that was a simple mistake, so it was not that money was diverted for personal use, it was used to pay [other government employees]. (D 34: Hibiscus, Chairman)

When the CEO reflected on the same incident, he indicated that it was a very serious matter for him and that his reputation had been at stake. While his account accorded with the Chairman's and framed the situation as an honest mistake by bank employees, the CEO suggested that the consequences for the bank could have been disastrous if the management team had not taken the incident as seriously as they did. He said, "People were disciplined at an appropriate level rather than sort of just chucking everyone out, because what they were doing was trying to save the bank, not do anything for their own purposes or anything like that" (D 23: Hibiscus, CEO).

The CEO's approach suggested that to operate in an environment with weakened institutions and political instability, openness and transparency were vital; they enabled credibility to be forged between members of the management and the board, and between the organisation and its regulators. The CEO explained that the regulator and the client (the national government) in this instance were appeased by the steps the bank's management took, which resulted in the bank only being administratively fined. The CEO's approach also indicated that he was pragmatic and astute, which are qualities that have served him well throughout his extensive career in Zimbabwe. Therefore, data from this case study also supports my assertion that in a low-trust environment, distrust-based behaviour can contribute to enhancing trust.

5.3.12. *Category 4: chairman attributes in a distressed organisation*

Open-and-transparent attribute

When I asked him to reflect on his role, the Hibiscus Chairman emphasised the importance of creating an open and transparent environment that enabled effective engagement within the board. He indicated that it was important for a chairman to allow members to speak freely because this enabled them to add value through unrestricted ideas. However, he recommended curtailing the "unfettered" expression of views because he considered it equally important to ensure that expressed views were constructive. This suggested that

he did not countenance disruptive engagements but encouraged differences of opinion—provided that such differences were expressed in a constructive manner. His ideas about the ideal role of a chairman, which he expressed in the comment below, align with the values of respect and honesty I discussed earlier:

> He [a chairman] encourages board members to articulate their views without being fettered, because only then can you get value from the board; if you are going to be a dictator on the board, you are not going to go anywhere, it doesn't work that way. People come up and have ideas, so you have got to give free-rein environment, people cannot just have wild ideas though, they have got to be constructive. But they have to be focussed. So, the role of the chairman is to get those ideas and focus them for discussion, resolution, and implementation. They have valuable ideas. And to encourage, be a moral beacon, and so on. (D 34: Hibiscus, Chairman)

The Chairman explained that allowing and encouraging members to articulate themselves in a constructive manner was necessary for a board to function well. He explained that the boundary of constructive behaviour was drawn when robust discussions encroached on the realm of the personal. This suggested the Chairman considered mechanistic and professional relationships to be more appropriate than personal considerations within the business domain. Within Zimbabwe's context, avoiding personal differences of opinion was likely an astute decision; the consequences of engaging in them may have been more serious than in institutionally stable environments. The lack of safety the CFO communicated earlier may also be understood in this context. Therefore, the Chairman's strategy—encouraging constructive criticism instead of allowing conflict to develop within the board—may have been contextually relevant. He underscored that "criticism has got to be constructive, it can't be personal; it has to focus on the issue on hand and not the personality" (D 34: Hibiscus, Chairman).

When board members communicated constructively, the Chairman believed they added value. He valued constructive engagement within board practice and considered it a component of professionalism. It was another form of openness and transparency that the Chairman valued and linked to the idea of professional relationships:

And when you give board members the opportunity to articulate their views, depending on their capacity and ability and their passion, you can change the thinking of the board, okay? And in that change, the value is consensus. Boards just don't spend time talking for nothing, but if they are focussed, a clear path is usually possible. It's definite okay, a clearer path. (D 34: Hibiscus, Chairman)

Leading-from-the-back attribute

The Chairman encouraged open and frank engagements made in a way that built relationships. Study participants described the Chairman as someone who was happy to mediate, as opposed to lead, board conversations. In so doing, the Chairman led from the front in relation to process but from the back in relation to content. During our interviews, the CEO said:

But I suppose our current Chairman is happy to just steer the debate and act as the mediator and probably allows the other directors more voice. I would imagine as a result of his approach, that he will be late in the conversation to add in his own sort of views and thoughts. He will only do that after allowing everyone else to have their say. (D 23: Hibiscus, CEO)

The CEO also said:

But other than that, he makes no attempt to go and grill people as such or anything like that, it is really just a presence so that I think he is aware of what is going on, without getting involved with the detail. And I would say that is probably how both my predecessor and I have interacted with him, primarily. (D 23: Hibiscus, CEO)

The view that the Chairman substantively led from the back was supported by the extent to which he delegated to sub-committees and to members of management. The CFO expressed that while sub-committees were accountable to the board for the performance of activities within their domain, they were not held accountable for deficient performance in such areas. Instead, he said that members of management were held directly accountable for deficient performance:

Management carries the buck on the execution of decisions of the board. Failure to execute does not fall on committee members. Because of that, he cannot hold

them accountable for execution. However, every committee chairman has a slot on the board agenda to deal with issues from their sub-committee. I have seen the board Chairman help and guide some committee chairmen in doing their jobs. However, one does not get the sense that there is a headmaster in the room. One gets the sense that there is a team to help committee chairs and members of the board to drive issues, but execution is the responsibility of management. There is a clear expectation that issues are tabled at sub-committees and dealt with there. The board takes comfort from that. It is like a dude with his wife, where he is the head of the family, but she throws her weight around. If necessary, he can be tough, but generally he is friendly. (D 27: Hibiscus, CFO)

While the views expressed by the CFO may appear critical of the Chairman and the sub-committees, they were consistent with Chairman's own view. He explained that boundaries were important and distinguished between responsibility and accountability. According to the Chairman, members of management were responsible for executing the instructions and mandates of the board, and sub-committees were accountable for performance in their respective areas. Therefore, the Chairman's leadership approach from the back was deliberate—it was predicated on clear boundaries between the roles of the board and of management. The result was clear leadership structures in the company, even when there was high availability and access—which is consistent with the approach at Fynbos. The CEO said of the Chairman:

So, he has always had a much more measured approach, I guess a more detached approach, that running the bank is left to the executives. And that he will certainly weigh in with an opinion, but he won't interfere with the day-to-day running of things. I guess he has a slight, not aloof, but slightly taking a back seat than his predecessor. (D 23: Hibiscus, CEO)

About his role, the Chairman stated:

Ja, following up—that is not my role—they have the chair and have got the responsibility and accountability for it all. You give somebody responsibility they are accountable for it. That is how we operate. What else can I say about that, a better way of articulating it is simply to say they are responsible for their committees, they are entitled to get all the resources, external or internal, to help them do the work, okay? The board wants to see an accurate report or reflection

of what is going on, in each committee, and that report back is sufficient. You have got to have confidence in people also, okay? Not necessarily trust, but confidence. (D 34: Hibiscus, Chairman)

Strong-but-dignified attribute

Interviewees described the Chairman as strong but dignified, which they considered consistent with the type of person who leads from the back. While the Chairman was capable of strong leadership, he rarely chose to employ that style. The CFO described him as someone who behaved tactfully during his dealings with people, which suggested that relationships and relational interactions were important to the Chairman. This is consistent with the Chairman's emphasis on constructive engagement during board meetings. The CFO addressed this point:

> He conducts himself very well. Consider the difference between Julius Malema and President Thabo Mbeki, who always comes across as dignified. The board Chairman has a track record of solid performance. He is very tactful when dealing with people. He is strong but does not bandy his strength about. His strength comes out as professional. When he makes a considered judgement, you have a sense that he is standing on solid ground, that he knows what he is talking about. (D 27: Hibiscus, CFO)

The Chairman noted, "very simply put, running a board is managing relationships, apart from the objects at hand. It is managing relationships and getting maximum value out of each board member" (D 34: Hibiscus, Chairman).

Both the Chairman and the CEO valued openness and transparency, which they considered to be substantiated by honesty and respect. In addition, both emphasised humility over power. The Chairman's deliberate approach to leading from the back demonstrated how he privileged humility over power. Consequently, by leading from the back, the Chairman enabled the CEO to be the primary boundary spanner between the board and management.

5.3.13. *Category 5: the level of board effectiveness*

Professionalism

The professionalism of other relationships at Hibiscus was built on the complementary relationship between the Chairman and CEO. There were clear boundaries between the board and management at Hibiscus—the Chairman led the former, and the CEO led the latter. The effectiveness of the board grew from a company-wide belief that the Hibiscus board was a hardworking, strong, and professional team. The CFO said, "I believe we have a strong and professional board of directors. This team is working. This team also works. There is a lot of reading on this board. If you do not read, you get found out very quickly" (D 27: Hibiscus, CFO).

Commitment

The amount of administrative work that members of the board typically performed demonstrated their level of commitment. Their actions exceeded their preparations for board meetings and extended to activities between meetings. This type of significant commitment was illustrated when the CEO described one of the non-executive directors:

> So, we impose on those people quite severely. I mean one of them is CEO of the largest retailers in Zimbabwe. He has got a huge retail operation to run on a day to day business. But for his sins, he is on our board, so if we send through a loan application, the customer doesn't want to sit waiting for two weeks while he goes through his inbox or whatever, you know we need a reply within a day or two sort of thing! At most! And I think to a man or woman, they support us on that; we get that turnaround. Occasionally, we need a little bit of prompting, and then we find they have been away or something like that. But the system works, and we get that input back from them. So I am pretty happy that we get the support we need from them. Ja, I am happy with their performance. (D 23: Hibiscus, CEO)

Board commitment was also reflected by the tenure of board members—they had been together for more than 10 years. They stayed together throughout successive financial and economic downturns in Zimbabwe, including the dollarisation process, which destroyed Hibiscus's balance sheet.

Stability

As a result of their long tenure, the board members had become accustomed to each other's strengths. The tenure of the board, as well as the high number of chartered accountants and other technically-oriented individuals on it, contributed to Hibiscus's stability during periods of distress. Governance actors indicated that the stability of a competent, hardworking, and conscientious board was critical during periods of distress. However, going forward, the CEO expressed reservations about the effectiveness of the board as it was constituted:

> I guess we are probably over-weighted towards managing the risks than looking for the innovation, but we do have two or three directors who are always interested in innovation and pushing us to sort of develop . . . . We could do with a couple more proponents I think on the board, to say, "Go on, go and find the next big thing before anyone else does," rather than say, "well, I am not sure, is this going to make money, is it going to be risky" and so on, because I think we are a little overweight towards risk management at the moment. (D 23: Hibiscus, CEO)

The implication of the CEO's concern was that a board that is effective in one context may not be effective in another. For example, directors who were brought onto the board during a growth phase might struggle during a distressed phase. The inverse might also be true. This suggests that trust and distrust mechanisms among members of the board might operate differently during normal and distressed organisational phases.

5.3.14. *Case summary*

The relationships among the directors and between the directors and members of management at Hibiscus were professional-based, and the accounting profession dominated. The regulated nature of the banking industry in which Hibiscus operated required senior leaders to be highly competent on technical matters and to be rational, deductive, and sequential in their decision-making. The governance actors at Hibiscus valued an open-door policy characterised by accessibility, availability, rapport, honesty, mutual respect, and respectful engagement. They also emphasised the need to develop a positive collegial environment. Therefore, their professional relationships relied heavily on evidenced-based decision-making processes. This is consistent with the findings in the Fynbos case study but not in the Protea case study.

Table 11

Hibiscus Shared-Leadership Board Dynamic

	Categories	Codes	Variable
1.	Chairman-CEO Relationship Basis	Professional basis; evidence-based; values-based; relationship centrality.	Trust propensity and trustworthiness
2.	Distressed Firm CEO Attributes	Accountability; strategic; growth-oriented; loneliness; inflexibility	Trustworthiness, task performance
3.	Distressed Firm Chairman Attributes	Involved and supportive; non-confrontational; facilitator; balancing	Trust propensity, team diversity
4.	Board Task-Effectiveness	Responsiveness; substance over form; involved.	Team trust, task performance

Note. Author is the source.

The leadership approach at Hibiscus was shared between the Chairman and the CEO. The Chairman indicated that he valued the CEO's commitment, intellect, and drive. Likewise, the CEO felt that the Chairman was very constructive during meetings and within his interactions outside of meetings, which he thought demonstrated the Chairman's involved and engaged style. Similarly, the Chairman expressed his appreciation of the CEO's contributions. Both the Chairman and the CEO were characterised by interviewees as open and transparent, but the Chairman preferred to lead from the back. This contrasted with the leadership style of the Protea Chairman, who led from the front, and with the Fynbos Chairman, who shared leadership with the CEO.

The level of diversity between governance actors, as measured by superficial factors such as age and race, was low at Hibiscus. While some level of gender diversity existed at Hibiscus, it remained on the low side. Due to low diversity among professions and typical demographic attributes, the members of Hibiscus's board and management were more homogenous than those at Fynbos and Protea. Taken together, all of the data suggested that the Hibiscus board had a similar sensemaking ability as a team. The data further suggested that this similarity in sensemaking was related to cooperative behaviour between the Chairman and the CEO, the Chairman and the CFO, the CEO and the CFO, and by logical extension, between members of the board and management.

While interviewees at Hibiscus never explicitly mentioned trust, I observed instances of trustworthy behaviour *in situ* between the Chairman, CEO, and CFO. Their reliance on the

construct of "confidence" provides one such example—each person indicated that confidence in people who have patterns of desired behaviour was an important evaluative criterion. I suggest they used the "confidence" construct in place of the trust and distrust constructs that form the foundation of this study.

5.4. Tulip Bank

5.4.1. *Company description*

Tulip is a niche private bank that has been based in Amsterdam since its founding in the late 18th century. It is governed by a two-tier structure: the supervisory and management boards. The supervisory board consists of non-executive directors who set strategy, and the management board consists of executive directors and management members who implement strategy and run the day-to-day company operations. Tulip has had a colourful history, including its acquisition by a Luxemburg-based holding company in the late 1990s.

Under the stewardship of its governance boards, which were installed in the 1990s, Tulip has experienced sustained, appreciable growth interrupted only by the global banking crisis in 2008. Operating in several countries, Tulip has grown from its traditional banking and stock-brokering businesses into a credible provider of trust- and hedge-fund management services and has continued to provide banking services to the wealthy.

Organisational distress

During its growth phase, Tulip adopted different incentive mechanisms for each of its business lines. The banking business was incentivised to pursue the risk-adjusted growth of its loan book. Its non-banking trust company was a low profit-margin administration business that was motivated to grow its services within the Netherlands and elsewhere in Europe. Its non-banking hedge fund business was rewarded for taking risks that would enable it to outperform its competitors so that it could earn performance fees over and above its standard fees. Therefore, its traditional banking executives were driven by a risk-adjusted banking mindset, its non-banking trust-company executives by a sales growth mindset, and its non-banking hedge-fund managers by an outperformance mindset. The different mindsets contributed to tensions when board members reflected on the operational performance after 2008.

In Table 12, I indicate that Tulip experienced volatile growth between Year 1 and Year 5. Year 4 reflects significant losses due to deficient performance and the differences in strategy that people posed for how to turn around the businesses. At the time, Blue Bank acquired a majority shareholding in Tulip. Blue Bank was a large, multi-national bank with operations in more than 70 countries. Blue Bank enabled Tulip to turn around its operational

performance by giving Tulip access to new markets. However, during Year 4, Blue Bank experienced its own serious financial problems after certain compliance breaches resulted in a regulatory fine of more than €9 billion. As a result, Blue Bank changed its strategic focus, which had negative consequences for Tulip. This led to a shareholder dispute, which threatened the sustainability of Tulip's improved performance. The shareholder dispute resulted in a consequential dispute between members of Tulip's management board and Blue Bank's representatives on the supervisory board. The disputes threatened to paralyse Tulip or send it plummeting down the spiral it had experienced in Year 4.

Table 12

Tulip Financial Performance

	Year 1	Year 2	Year 3	Year 4	Year 5
Net Profit (€'000)	2,700	9,100	7,400	(14,500)	3,100

Note. Source: Tulip Annual Financial Statements

Governance structure

Tulip is governed by a management board and a supervisory board. The management board consists of five executive managers, including a CEO who leads it. The supervisory board consists of at least five non-executive directors who represent key stakeholders and particularly the shareholders of the bank. A Chairman and a Deputy Chairman lead the supervisory board.

Synopsis

The Tulip case study is about the governance of a medium-sized European bank in the aftermath of the 2008 global financial crisis. During analysis, I discovered that personal relations, consensus orientations, resilience, and integrity were critical to relationships between the governance actors at Tulip Bank. Also important was a behavioural and decision-making approach that invoked the utilisation of distrust mechanisms alongside trust mechanisms. Trust among people at Tulip was necessary for distrust mechanisms to operate effectively. In turn, the study data revealed that effective distrust mechanisms strengthened trust relationship between people at Tulip. In this context, the simultaneous

operation of distrust and trust mechanisms aided the company's ability to weather organisational distress.

5.4.2. *Category 1: trust and distrust in the boardroom*

At Tulip, every interviewee acknowledged trust as an important mechanism within the company. The CEO and CFO highlighted its positive attributes. Although the Chairman initially challenged its value, he later conceded that he had described trust even as he challenged its value. Overall, the Tulip Chairman expressed reticence about trust.

During our interviews, the Chairman wrestled with his ideas about the value of trust, and he suggested that a better mechanism for him was the concept of truth. He extolled the virtues of truth as if it were an object. In this regard, drawing parallels with the Chairman of Protea, the Tulip Chairman believed that dealing with truthful people provided comfort because it saved time—what they said did not have to be verified:

> Truth is all you know and need to know. Beauty is truth, truth is beauty. That is all you know and need to know . . . . If you deal in people who tell the truth, at least you are not having to fish for an answer. When you deal with people who don't tell the truth, but then process is different. I have to start by saying what do you want out of this? Are you sure you want this? So it's a different process than with the people who just tell you straight—this is what I want. This is what I see. (D 21: Tulip, Chairman)

However, unlike the Chairman, the CEO enthusiastically and emphatically defined trust through the idea of action. According to the CEO, the performance dimension of trust is distinct from the intention or ability to trust:

> Trust means doing what you say. It's, it's a phrase that I use today in the business, it's a claim that I make on everybody, I say you have to do what you say, that's the basis for all relationships, internally and externally. And it sounds very trite, it's very simple, but in fact it's, if I, we make an agreement and you do what you say, you're going to do, I'm gonna trust you, and I'll always have that trust, and that develops over time because, and if you can't do what you said you would, you come to me and say I can't do it because of this and this reason, there's no hidden agendas. When you don't do what you say, there is no basis for the contract between us. (D: 20. Tulip, CEO)

The CFO went even further and associated trust with other related constructs that may be antecedent or prospective. The CFO illustrated the elasticity of trust by describing its ecosystem as follows:

> But you know, the trust, commitment, safety, they are all in the same kind of neighbourhood. And sometimes you have to say, I'm also, I have, I feel right and obligation to issue my opinion—declare your position as we call it in that, into the full extent necessary for that decision-making process in the interaction between the different parties involved. (D 16: Tulip, CFO)

He continued:

> Also, that maybe trust safety, but also the ability of the other person willing to accept and listen to your arguments or an argument could also, say, be I don't have a good feeling about this . . . that's also a very strong argument. (D 16: Tulip, CFO)

When reflecting on the consensus orientation within Tulip, the CFO suggested that trust was an important precondition because the demanding nature of engagement could be oppressive and thus negatively affect people's commitment to the process. He noted:

> What you definitely need is a lot of trust. And the trust comes also with the rules of engagement or the kind of articulating what you will and will not do. And stick to that. That is powerful. If you don't do that, and you say okay, I'll commit to this process, but then you factually don't, then you're out. (D 16: Tulip, CFO)

The CEO suggested lack of commitment was a source of trust break-down. He said that since trust is based on commitment to a process that privileges well-developed ideas, a subsequent withdrawal of that commitment, without some rational explanation, damages relationships among governance actors. He reflected on this when he discussed the aftermath of the global financial crisis:

> And that caused a lot of mistrust, you know, because when you're asked to give commitment, you give commitment. You know, you know, the story of the chicken and the pig . . . you know, we were always accustomed to being pigs. We were that committed, and he was a chicken. He was involved in the business and we were all committed. (D: 20. Tulip, CEO)

According to the CEO, such breakdown in trust can cause a lack of trust or mistrust. In this study, I suggest that distrust should not be associated with the idea of trust breakdown. The Chairman, who struggled to accept the value of trust during his interview, commented on the duality of trust—how he could trust a person but distrust the person's actions. He said, "Trust is a big word. You could have relationships where people trust each other, but they are both unfaithful. They have a very good relationship. I'm not really sure it's a useful word" (D 21: Tulip, Chairman).

In the quotation, the Chairman described people who trust each other at one level but are untrustworthy when it comes to fidelity with their affective partners. While the notion that trust and distrust operate simultaneously may trigger debates at an interpersonal level, I suggest it is inherent in corporate-governance systems. For instance, at Tulip, some people noted that they trusted members of management to run the company, but they did not trust the members to always act in the interests of the company. Consequently, there were internal control measures at Tulip to ensure continued alignment of interests between members of management and the company. The Chairman commented on the controls introduced by Blue Bank:

> Yes. We didn't mind the controls. They were very good, we learnt a lot from them . . . or credit, whatever, compliance on, so that, so there are no silos, they were very good. We didn't mind the control . . . . (D 21: Tulip, Chairman)

At Tulip, governance actors operated in a demanding environment in which consensus was the preferred orientation, and they used persuasion, a distrust mechanism, to enhance or entrench their relationships. Therefore, in this context, trust and distrust were self-reinforcing mechanisms that enabled Tulip's governance actors to overcome various conflicts and types of organisational distress.

5.4.3. *Category 2: the basis of CEO and chairman relationships*

Personal-based relationships

The Chairman is a qualified engineer with a postgraduate business degree. The CEO is a qualified lawyer with a postgraduate business degree. The Chairman and CEO have worked together for more than 30 years. Over that period, they successfully built several businesses together. When the Chairman became seriously ill, the CEO ran the company and looked

after the Chairman's interests until he returned. Eventually, their professional relationship developed into a personal one.

Consensus-based relationships

Throughout all three interviews, the participants identified consensus-based decision-making as the golden thread running through behaviour, sensemaking, and decision-making at Tulip. The camaraderie between the Chairman and CEO formed the foundation for the consensus-based decision-making process. It also enabled them to have open, frank, and authentic conversations about business issues. Through this camaraderie, the Chairman and CEO created a safe relational environment in which they could discuss all available information about a topic, expose the truth, and figure out the best possible outcome. Although their relationship had a personal component, it operated through professional mechanisms at Tulip, including interrogation and verification, which suggested that their business relationship relied on evidentiary persuasion.   The CFO discussed Tulip's consensus processes:

> The key point, and I think that's more a cultural dynamic thing at Tulip, is that always we had the philosophy that we are not voting . . . . There is supposed to be no voting. So, every decision is based on 100% voting or everybody is in favour and, and all participants have a veto right . . . which helps in my view because it pushes everybody to defend you. The veto right is a very strong right because if you say no, then you have to [explain] . . . then you're blocking the process basically . . . . No voting is [not] normal stuff. You know, boards vote all the time. I think there is, to me, I would say, not normal approach . . . but very useful. (D 16: Tulip, CFO)

Consensus-based decision-making at Tulip, as characterised by the CFO, was an arduous process. It involved risk for all parties; if a governance actor agreed to something about which he or she was not fully confident, that agreement indicated his or her willingness to assume the risk introduced by the person who sponsored the idea or issue. That type of decision-making involved risk even when someone disagreed, because the principle demanded that whoever disagreed had to provide a rational explanation for why he or she had done so. Because of this rational approach to consensus-based behaviour, Tulip

developed a cohesive management team that worked through conflict and distress—no matter how painful. The CEO discussed this:

> We stand behind every decision together, and there's, there's no what the Dutch call verwijt, meaning you can't turn around and point a finger at you and say, "I told you so" . . . it's not just no blame, it's kind of looking back and say, "Well, I actually wasn't really in favour of this, and I told you so . . . and, and look where we are now." Then once the decision has been made, we all stand behind it, and we move forward. (D 20: Tulip, CEO)

Values-based relationships

Rationality underpinned the type of consensus-based decision-making at Tulip, and study participants often referred to it as the principle of "no voting."   The consensus-based decision-making process was made possible by values such as openness, transparency, and authenticity, which served to bind the decision-makers at Tulip. The CFO even stated that values need not be articulated but rather experienced.   These values enabled individuals within Tulip to gain comfort and confidence in each other's performance; they repeatedly observed and experienced openness, transparency, and authenticity in each other's actions. The CFO noted:

> Now you come to this like magic words like openness . . . transparency . . . authentic . . . but if you're all that, you don't need it . . . [values]. If you have to articulate, we need to be open with each other . . . you know, what's the point, we just need to make sure that everybody is open . . . . But it helps enormously to translate that, what you're trying to achieve if you can use a vision, mission, and values. I'm not convicted to that type of things. So, we often use the word, can be very religioc about it, but that then it becomes a purpose on their own. (D 16: Tulip, CFO)

The relationships among governance actors at Tulip were built on a consensus-based decision-making model, which was underpinned by the above values. As a result, the people who formed the core decision-making unit at Tulip had substantive relationships.

Chairman-CEO centrality

The CEO described his relationship with the Chairman as important within his working life. He indicated that he had been directly accountable to the Chairman for more than 23 years and indirectly accountable for the seven years after he had become CEO of Tulip. Over such an extended period of interaction, the Chairman and CEO had developed a pattern of behaviour grounded in a shared set of norms and values that enabled them to articulate and implement the demanding form of consensus-based decision-making at Tulip. The CEO said:

> Last Thursday was 30 years to the day that I arrived in Amsterdam. I was working for Black Bank, for the Chairman [he was Chief Executive at the time]. I've only ever had one person that I have ever reported to, and that was Chairman. Until recently, seven years ago, when I became CEO, and then obviously then, I didn't report him. But up to then, I've only ever had one boss really, and a very important relationship in my working life. (D 20: Tulip, CEO)

The Chairman also articulated the importance of their relationship. He explained that he usually would not choose to become a non-executive director at a company in which he had no financial interest. He was unwilling to assume the fiduciary risk of being a non-executive director at a place where he felt he could not effect change because of his lack of shareholding. However, he also noted that if he sold his shares in Tulip, he would consider staying on the board if the CEO asked him to do so—because of their relationship. The Chairman said:

> Yes, I can see I can add value, but I can't see that it is actually worth anything to me, I would do it because the CEO said, "Would you do it for me?" Yeah, sure, for the CEO I would do it for you. But it's a, it's a massive risk, and it's a lot more work than the title suggests, non-executive, and you need to be able to confront . . . [the CEO]. (D 21: Tulip, Chairman)

Given their long-term relationship in both personal and professional capacities, I asked the CEO whether he had ever considered the Chairman to be a father figure. In response, he quickly discouraged the father-figure metaphor and offered an alternative. However, both the CEO and Chairman characterised their relationship in affective terms and invoked the

metaphor of pupil and tutor. When using that metaphor, they noted that over time, a pupil stands on his own and leads with less reliance on the tutor. The CEO commented:

> I don't like the father and son description. I would never describe my relationship with the Chairman like that because it is not like that, but there is a parallel and the parallel is that, and I've experienced this in my own kids. Your kids are always central in your life, but there is a point in time where you're no longer central in their lives. (D 20: Tulip, CEO)

As he reflected, the CEO objected less to the father-figure metaphor. He went on to extend the metaphor by introducing the idea of a relationship in transition—from that of a pupil and tutor to his eventual graduation into an independent and competent leader.

Once again, the consensus-based decision-making mechanism was central to resolving the "field of tension" between the CEO and the Chairman. The CEO posited trust as a mechanism that characterised their interaction early on and throughout their relationship. His trust in the Chairman was based on the Chairman's demonstrated success with establishing a bank, which ultimately became a global multi-national company, in a developing country. The CEO believed that the Chairman could replicate such success in Tulip Bank, which he had rescued and turned around. Accordingly, the CEO was willing to make himself vulnerable to the Chairman based on his expectation that all would be well with the Chairman by his side. This trust between the CEO and the Chairman was the foundation for their unique consensus-based approach:

> The trust and belief in the man, combined with what is obviously happening within the business itself, kind of reinforced this naïve concept of, you know, well, we are going to do this . . . . Well I think there was, certain amounts of blind trust, at that point. The Chairman was a visionary already. What Black Bank had created, even though it was still in 1986, was quite extraordinary. (D 20: Tulip, CEO)

5.4.4.   *Category 3: CEO attributes in a distressed organisation*

Resilience attribute

The CEO explained that conflict and distress served to bind the management board into a cohesive unit. This suggested resilience was one of the CEO's attributes. As a resilient CEO, he was not discouraged by conflict or distress. Instead, he rallied his team and

responded in an adaptable manner. This adaptable manner was captured when the CEO reflected on business pressure and said, "I think it was cohesive more than anything else. The pressure was cohesive. There is a Dutch saying that, everything becomes liquid under enough pressure, alles wordt onder druk vloeistof" (D 20: Tulip, CEO).

The CEO's approach to conflict was informed by the same values that underpinned the consensus-based decision-making process at Tulip. He explained that by facing conflict head-on, he was not inviting it, but at the same time, he was not running away from it. This meant that while he preferred to operate without conflict, he was not afraid to engage it when it occurred—even when such conflict generated a personal cost. He said:

> Put conflict on the table, not to be all-embracing and saying, "Okay, well you know, we just need to smooth things over. So, we're going make compromises on everything just, so, you know, this is what I want, and this is what I think we should do" . . . . And again, it became very personal, and I had discussions with them . . . . You know, it was for them very much like, we decided, and that's what's going to happen. (D 20: Tulip, CEO)

Building on the constructs of resilience and adaptability, the CEO demonstrated his willingness to use regulatory instruments to ensure that customers' interests were never compromised during conflict between the shareholders and management. In so doing, the CEO demonstrated that resolving conflict did not have to be achieved at the expense of his core belief system:

> So, so we resisted, and it got so heavy that in one supervisory board meeting . . . I actually had to fall back on the banker's oath, you know, Holland, all bankers have to take a banker's oath . . . . I've taken an oath, and in the oath, you'll see that I am here to act in the interest of the bank, in the interest of their clients and interests of the society as a whole, and the undue pressure that you're putting on me by the shareholder is in breach on the oath I've taken . . . and I won't do that . . . it was minuted. The Central Bank actually made a comment on that at a later stage . . . we saw your minutes in the supervisory board meeting, very interesting. (D 20: Tulip, CEO)

Integrity attribute

Integrity was one of the core values that drove the behaviour and performance of Tulip's CEO. This was reflected in his engagement with conflict and distress. The CEO stated that people had to be honest regardless of the ability of third parties to monitor and verify that honesty. Therefore, honesty and integrity must be fundamental to a person instead of instrumental.

> My view of integrity is that you're honest because you believe in honesty. You're not honest because you're scared of the consequences if you're not honest. And there is a very fine distinction between those two. Somebody who says they're honest but behave in a certain way with a sauce of honesty on top of it because they don't want people to think that they're not honest, that goes to the fundament of, a Dutch word, of your contract with each other . . . and that's the basis of trust. (D: 20. Tulip, CEO)

Loneliness attribute

During our interviews, the CEO described two conflict situations he had experienced, and both were consequences of the global crisis. The first incident involved members of his investment team who wanted to leave with a portion of the business, which threatened the overall business. The second involved the new majority shareholder, who wanted to alter the rules of engagement because of the changing environment. While the CEO was not averse to such changes in either situation, both sets of stakeholders approached their respective situations in ways that were destructive for the remaining stakeholders at Tulip. The CEO experienced these interludes as lonely: He could not seek the counsel of the Chairman on either occasion, because the Chairman had vested interests in both dispute outcomes:

> It was a very lonely period because the Chairman, in his role as supervisory board member and the controlling shareholder of Green Holdings, couldn't afford to say, "Guys, this is my fight," so he positioned it as a fight between Blue Bank and management, which it was. But the reason for it is because they couldn't attack of Green Holdings directly. It was a very tough time, very stressful, and that's when the loneliness comes in, because then you're out there on your own. (D 20: Tulip, CEO)

Upon further reflection on his loneliness and lack of support, the CEO expressed appreciation for the Chairman and understanding about the situations at a cognitive level— but also disappointment at an emotional level. In expressing his disappointment, he demonstrated values important within the Tulip environment: He was emotionally authentic and cognitively aware. This simultaneous holding of two opposing perspectives illustrates one of the consequences of the "field of tension" between the Chairman and the CEO. To sustain a relationship with such inherent contradictions suggested the CEO was resilient, even in the most lonely period in his career. He said:

> But it was tough, and again, I was very alone, you know. The Chairman was not understanding. He would say, I support him 100%, but, "Blue Bank, you have to sort out your conflict with management." It was a clever move from him because he stood outside the conflict . . . but it was bullshit because the conflict was real, that was the real nature of the conflict . . . . So, you know, so, so that was the loneliness and, and it wasn't that there was no trust, I knew where he was, but it was uncomfortable. I am a big boy, you know, and that's what I do, and that's what I did . . . but, but it was hairy. (D 20: Tulip, CEO)

Legitimacy attribute

When asked to reflect on how he coped with destabilising conflict within his management team after the 2008 global banking crisis, as well as distress caused by shareholder disputes, the CEO singled out legitimacy as an important mechanism. He believed that he had legitimacy on his side within his role at Tulip and in his relationships both internal and external to the organisation. He said that this legitimacy made it possible for him to engage authentically, honestly, and courageously:

> I think one of the key lessons I have learnt is that, when you have legitimacy on your side, it's easy. Your strongest card is legitimacy. Don't try it when you are not legitimate . . . . Your behaviour has to always be authentic. So, if you're authentic, and take legitimacy with you, the conflicts are pretty easily resolved or become pretty blatant that they can't be resolved for other reasons. It's where you're legitimate that you end up getting emotive and, and, and you end up with a feeling of lack of trust because then what's hiding behind that. (D 20: Tulip, CEO)

Humour was another characteristic he used to develop rapport and build legitimacy. This was evident during our interviews. The CEO recalled an incident with the directors of his former shareholder to illustrate the importance of humour:

> So, we went to one meeting, with the chairman of [a large multi-national bank, former significant shareholder]. We used to meet every six weeks in London or Amsterdam, whichever it was, and the meeting had no role in corporate governance. It didn't fit into any structure, and we go into one meeting and [he] stands up and said, "Do we have an agenda for this meeting?" And [the former CEO] said, "None that is visible, Sir." (D 20: Tulip, CEO)

The CEO chuckled as he recalled the incident. He used humour to mask the painful consequences of consensus-based decision-making processes, which were grounded in rational behaviour and characterised Tulip's working environment.

5.4.5. *Category 4: chairman attributes in a distressed organisation*

Similarly, the Chairman emphasised rational behaviour and sensemaking. He believed that the decision-makers at Tulip shared his orientation towards rationality. He embedded his rationality-orientation within processes of engagement that demanded participants' total commitment. Once begun, there was little room to exit the conversation through a shorter decision-making mechanism. While the process was slow, he believed that its effects were fast-acting and long-lasting because of its demands on the decision-makers.

The Chairman did not romanticise the consequences of rationality, and he acknowledged that conflict often resulted. He also recognised that people at Tulip pursued their personal interests until those interests were no longer aligned with the company's. Therefore, he posited rationality as a mechanism to interrogate personal interest in order to establish an individual's continuous alignment with company interests. He articulated his personal interests in a way that aligned with customers:

> I think that by just, by the nature of the people, that Tulip was always a very rational place. I mean you laughed, we had fun, but it was very rational and control disciplined to people . . . . Yes, we had conflict. Yes, it was functional. There were personal interests, so you'll try and understand what somebody's agenda was. (D 21: Tulip, Chairman)

He continued:

> They also had a personal agenda. I also I had a personal agenda. So, everyone
> has a personal agenda . . . . While I'm honest to my role as being, having a
> fiduciary role, I don't feel like particularly or just responsible to the shareholders in
> terms of going to make them rich. But in the banking industry and in this
> environment, your role is to make sure the bank doesn't fall down, that people
> don't lose their money. People who committed hundreds of billions to us. That's a
> big fiducially liability. (D 21: Tulip, Chairman)

The Chairman described a pragmatic approach to leadership, which he desired for himself
and admired in others. He believed that a pragmatic approach kept things moving forward,
and forward movement was important to him. The consensus-based decision-making
process, of which he was the biggest proponent, was intended to ensure the organisation
moved forward and did not continually return to the same issues. In speaking about another
governance actor, the Chairman said:

> He would open say, "On mature reflection . . . it's not all good, but it's not all bad."
> He had his own way. He was a polished and accomplished speaker. He was
> highly rational. There it was nothing emotional about [him]. So, but he dealt very
> well with [management]. Though he didn't encourage confrontation, he didn't stop
> the confrontation with the non-execs. (D 21: Tulip, Chairman)

Although some participants hailed the Chairman as a visionary, and he had built many
successful businesses, including two banks, the Chairman reflected on his failings as a
director. I asked him to reflect on how he supported non-executive directors. He replied
that he sometimes confronted the CEO, but he suggested that going forward, it was
important for him to counter-balance the CEO by challenging him on issues:

> Maybe I failed, maybe I should have been more assertive in supporting them . . . .
> No I did. I regularly supported the non-execs in their confrontation [with the CEO].
> But maybe I should have done more. And sometimes it is very easy. I mean,
> honestly, I could say that when you're in a board meeting and when you're
> outside, [CEO] fuck off, it's a lot of shit and you know it, and when you get locked
> into, when he say, yes, but we need the money, we need the capital, we need, or

existing obvious things that had to happen, for . . . people always have reasons, I mean, it's not for nothing, more, more difficult. (D 21: Tulip, Chairman)

When I asked him to reflect on what he thought an ideal chairman should be, he indicated that he would prefer to serve in a board with a strong chairman, because it is important for a chairman to counter-balance management:

> You need a chairman that can allow, encourage, and manage the process of confronting the Chief Executive. If you have the board where a chairman coalesces with the Chief Executive and resists confrontation from the non-execs, then that's not a good place to be . . . . So, if I was young, I would join a board that has a strong chairman, not strong in the sense of can bully the deal, bully the business along, but strong in the sense of being able to muzzle the Chief Executive when he has . . . and allow the board to confront the Chief Executive . . . [referring to an anonymised chairman] He would move militarily. I think we all can agree that this need to be discussed further, makes you move on. Next meeting . . . . Mr. Secretary, would you arrange for us to have a discussion, three of us. (D 21: Tulip, Chairman)

5.4.6. *Category 5: the level of board effectiveness*

Given the demanding interaction at Tulip, it was important to understand the nature of relationships among the board members. The general view held by all the interviewed governance actors was that relationships within the board were good and uncontroversial. The Chairman addressed this:

> I think the board was pretty transparent, open. The individual members more or less had a level of integrity that we required. So yeah, I use the word truth, maybe integrity is a better word. And that we would, yeah, there was conflict and we would discuss things pretty happening to each other . . . . The relationship between the supervisory board and the management board was pretty okay in those times, it was uncontroversial. (D 21: Tulip, Chairman)

Despite how arduous the relationship context and the consensus-based decision-making processes were, the governance actors remained committed to them. They described how

the foundation of consensus in their relationships was institutionalised through an initial focus on rules of engagement rather than the content of a job. The CEO noted:

> So, one of the things was, I said, one of the rules of engagement is, I would like to follow a situation where we as a management board never have to make, never have to take a vote on anything, implicit in that is that everybody has a veto on everything . . . . As a management board process, decision-making process. (D: 20. Tulip, CEO)

He also said:

> So, everybody has a veto now. The way that, that works and we have that experience in, at Tulip is that you're very cautious before you use a veto, in my history with Chairman, I've never had anybody use a veto because you got to, you know, if there are five of you and four of you are in favour and one is against, you got to be very, very sure of yourself. (D: 20. Tulip, CEO)

Their commitment to this principle was demonstrated when they allowed a new member to use his veto to challenge the principle of "no voting." The CEO suggested that this helped sharpen their focus on the benefits of this way of behaving:

> It was almost bizarre, because the one guy used a veto to block the fact that we couldn't have a veto . . . . It was completely ironic and, but we eventually got to the conflict, or we got to manage the conflict and go out with a great solution, we said, "Okay, we're not going talk about voting, or we're not going talk about vetoes, but we're going say that there is an absolute intention to have a consensual model and to reach consensus with compromises but in a decisive way." (D: 20. Tulip, CEO)

The CFO articulated that the objective of the principle of "no voting" was a desire to reach consensus without manipulation; the principle rather relied on persuasion. His key point was that it was hard work to persuade people to change their minds:

> There's a movie, I'm not sure if the title was correct, but it's called *Twelve Angry Men* . . . the movie is about a jury . . . and they are looking at a black guy that has molested or killed a white woman in the US . . . and they have to come to a decision and in this case it needs to be unanimous . . . so everybody needs to agree . . . and eleven,

and, and the case is pretty clear, if you read the bullet points, you say, okay, this guy has done it, and there was one guy that says I don't agree . . . and then they have to stay in the room until the end of . . . and everybody needs to be, he need to convince the parties involved that actually he is innocent . . . . How he does that is [by] utilising all relevant . . . . I would say, manipulation, which is a negative word but manipulation in a positive way of convincing people to get to his side and that's a very good example. It's very hard work. (D 16: Tulip, CFO)

The CFO also highlighted that consensus through voting was a political exercise because a vote was a demonstration of power. The strongest ideas were not the ones that prevailed; rather, the most powerful ones did. He noted that the principle of "no voting" might also be an instrument of power between two unequally matched individuals. However, his presumption was that Tulip employed highly talented individuals, and therefore, power was a lesser factor:

> If you're a person that thinks that a voting system could help you in achieving your goals, which is by definition a very political statement . . . instead of trying to achieve the best solution for everybody and the company upfront, of course . . . . I would say the more political driven people . . . that are, I would say, would like to have a voting system . . . because you could . . . the power of manipulation, but also they taking no responsibility is more possible in that system. (D 16: Tulip, CFO)

Most participants attributed the effectiveness of the management and supervisory boards at Tulip to the mechanism of consensus-based relationships at the company, and they identified the Chairman and CEO as the focal dyadic pair who espoused this unique behavioural and decision-making approach.

5.4.7.   *Case summary*

Unlike the other case studies that I have analysed, which are governed by a unitary board structure, Tulip Bank is governed by a two-tier structure. Consequently, there were clearer boundary conditions—the supervisory board and the management board were more clearly delineated in the two-tier structure. Given the more distinctive boundaries, I expected the governance relationship between the supervisory and management board to be more adversarial and agency-theory-based. However, data indicated the contrary. This case

study illustrated the mechanisms of a stewardship relation at an interpersonal level among the supervisory board members, among the management board members, and between the board management teams. Importantly, it demonstrated how a stewardship-based interpersonal dynamic can facilitate navigating institution-based scenarios hypothesised by agency theorists.

The sources of superficial diversity among key governance members at Tulip were minimal. The only source of diversity was their academic backgrounds—the Chairman was an engineer, the CEO was a lawyer, and the CFO was a chartered accountant. This minimal diversity contributed to more cohesive sensemaking approaches within the interdependent teams, whose relationships were initially professional-based but had become almost familial over time. I consistently observed this cohesive sensemaking approach across all three relationships. In Table 13, I summarise some of the key codes and categoriess that support this observation. I also posit their emphatic advocacy of the "no voting" culture, characterised by rigorous debate supported by a high need for verification, as evidence of this cohesive sensemaking approach among the Tulip governance actors.

Table 13

Tulip Chairman-Led Leadership Board Dynamic

No.	Categories	Codes	Variable
1.	Chairman-CEO Relationship Basis	Professional basis; evidence-based; values-based; consensus; and relationship centrality	Trust development
2.	Distressed Firm CEO Attributes	Resilience; integrity; loneliness; legitimacy; openness; transparency; authenticity	Trustworthiness, NFC
3.	Distressed Firm Chairman Attributes	Rationality; engagement; commitment; open to conflict; pragmatic; dominance; involved and supportive; non-confrontational; facilitator; balancing	Trust propensity, trustworthiness, collaboration, NFC
4.	Board Task-Effectiveness	Responsiveness; substance over form; involved; support; consensus decision-making	NFC

Note. Author is the source.

Tulip presented an opportunity to explore the foundations and operationalisation of a relationship based on high trust and high distrust among governance actors. The trust-distrust mechanism at Tulip demanded commitment to a decision-making process that was exacting on personal and professional relationships, but it provided protection from the temptation to use heuristic decision-making mechanisms—particularly during phases of organisational distress. Therefore, I suggest the high-trust and high-distrust dynamic was an antidote to the strategic rigidity that is common during phases of organisational distress.

5.5.   Within-case conclusion

In Figure 6, I depict the resultant board dynamics along the trust and distrust dimensions, where the trust-continuum is horizontal, and the distrust-continuum is vertical. Consistent with agency theory (Jensen & Meckling, 1976), the relationship dynamic at Protea operated primarily in the zone of low trust and high distrust. Because the distress was internally initiated, this relationship dynamic contributed to governance actors' breakdown in trust for the CEO during a context of organisational distress. Consistent with stewardship theory (J. H. Davis et al., 1997b), the relationship dynamic at Hibiscus operated in a zone of high trust and low distrust. Because the distress at Hibiscus was externally initiated, this relationship dynamic enabled governance actors to successfully navigate the external organisational distress. Consistent with the hypothesised, theoretical, moderated-trust concept inspired by Lewicki et al. (1998) that I have introduced in this study, the relationship dynamics at Fynbos and Tulip operated in a zone of high trust and high distrust. This dynamic contributed to governance actors' abilities to successfully operate in the early stages of a business turnaround, regardless of whether the distress was internally initiated, as in the case of Fynbos, or externally triggered, as in the case of Tulip. The cases are plotted in Figure 6 to illustrate where they are located on the plane of the separate but perpendicular conceptual construction of trust and distrust.
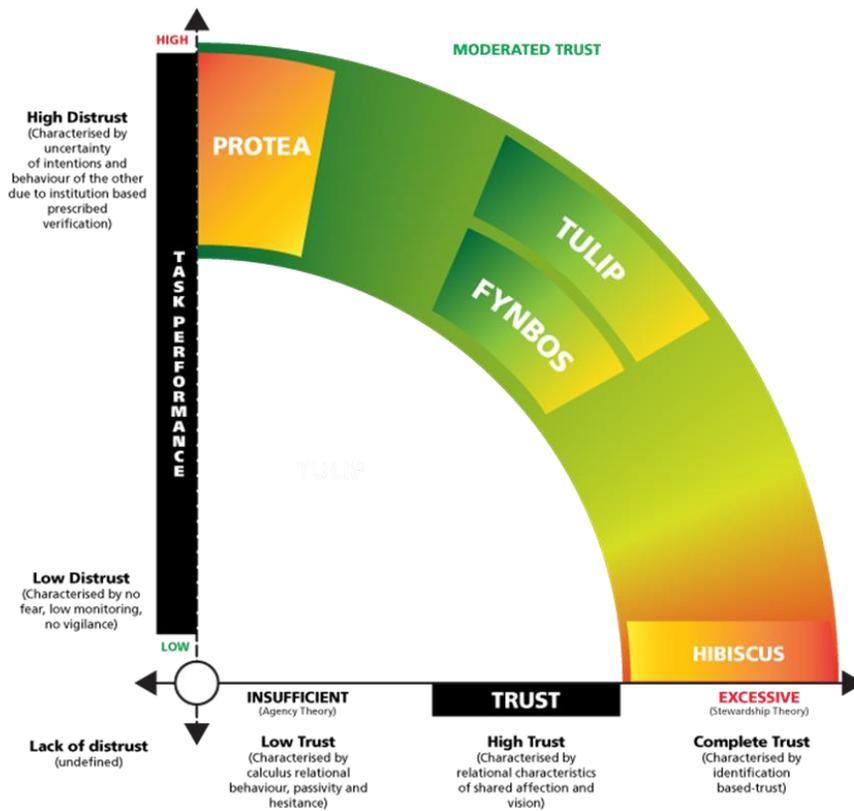
Figure 6. Moderated trust effects in distressed organisations. Adapted from Dietz, G., & Den Hartog, D. N. (2006). Measuring trust inside organisations. Personnel Review, 35(5), 557–588. doi:10.1108/00483480610682299; Dimoka, A. (2010). What does the brain tell us about trust and distrust? Evidence from a functional neuroimaging study. *MIS Quarterly*, 34(2), 373–396; Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). Trust and distrust: New relationship and realities. *Academy of Management Review*, 23(3), 438–458. doi:10.5465/AMR.1998.926620; McEvily, B., Perrone, V., & Zaheer, A. (2003b). Trust as an organizing principle. *Organization Science*, 14(1), 91–103. doi:10.1287/orsc.14.1.91.12814; Neal, A., & Hesketh, B. (2009). Productivity in organizations. In N. Anderson, D. S. Ones, H. K. Sinangil, & C. Viswesvaran (Eds.), Handbook of industrial, work & organizational psychology (pp. 7–24). London, UK: Sage Publications.

From the variables I analysed in the above case studies, I found the relationship between the CEO and the board chairman to be central to the successful resolution of organisational distress across all case studies. The power dynamic between the board chairman and CEO has been a focus of corporate-governance research (Daily et al., 2003; Finkelstein, 1992; Lewellyn & Muller-Kahle, 2012). In this study, I focussed on the non-coercive constructs of trust and of distrust within a collective decision-making team, as opposed to a coercive

construct such as power, and in so doing, I revealed new insights. When a governance actor relinquishes power by allowing another person to exercise their discretion within a professional-based relationship that is underpinned by mutual respect, respectful engagement, and appreciation, then the yielding governance actor accrues more power. In a governance relationship underpinned by mutual respect, respectful engagement, and appreciation, I found that institution-based distrust builds team trust. In other words, a trust-based professional relationship that amplifies appreciation, honesty, integrity, and respect accommodates institution-based distrust mechanisms in the critical dyadic relationship between the CEO and chairman of the board.

While the relationship of power between a board chairman and a CEO has attracted some attention from governance scholars (A. P. Kakabadse et al., 2010; Morais et al., 2018) the power and trust relationships in the boardroom and between members of the board and management remain largely underexplored (Bezemer et al., 2018). While power is ever present in organisations, it is counter-balanced by relationships of trust and of distrust among governance actors. I suggest this is especially the case among governance actors at the top of organisations, because they are more likely to respond to non-coercive regulatory mechanisms, such as trust and distrust, than to coercive regulatory mechanisms such as power (Bezemer et al., 2018).

Chapter 6: Cross-case analysis

6.1.   Introduction

In this chapter, I comparatively re-analyse all four within-case-study results from Chapter 5 in order to untangle how trust and distrust, as constructs, manifest in different organisations, contexts, and countries. In Chapter 5, I used two core themes to foreground the structure of my within-case analysis. First, I elaborated the *top management team bricolage* theme using certain within-case categories: (a) the basis of the relationship between a chairman and a CEO, (b) the attributes of CEOs in distressed organisations, and (c) the attributes of Chairmen in distressed organisations. Second, I elaborated the *relational construct potency* theme using different within-case categories: (a) the influence of trust and of distrust on board effectiveness and (b) levels of board effectiveness. In this chapter, I build these themes on different cross-case categories.

In the current chapter, I shift strategies slightly and elaborate the study's core themes using categories that are specific to cross-case analysis. In particular, I develop the *top management team bricolage* theme using the following cross-case categories: (a) chairman and CEO relationship centrality and (b) CEO-chairman attributes and CEO-CFO boundary-spanning roles. Likewise, I develop the *relational construct potency* theme using the following cross-case categories: (a) relational dynamics and (b) organisational outcomes. Unlike in Chapter 5, the cross-case categories I use in this chapter, which underpin the core themes, are grounded within codes that are common to all four case studies. Consistent with the level of analysis and reporting structure that I used in the previous chapter, I report cross-case results in this chapter at a category level in order to illustrate how the generative processes I discuss in the next chapter (Chapter 7) are grounded within empirical, cross-case data.

I analyse the concepts of trust and distrust through categories related to the central relationship of the CEO and chairman. Both of these governance actors operate as boundary-spanners between members of the management and the board, particularly within organisations that have experienced distress. The categories that I use to analyse cross-case data focus on this relationship between CEOs and chairmen—and how it influences the effectiveness of board-governance activities. I also analyse the leadership attributes of

CEOs and Chairmen and how these attributes influence their abilities to have effective business relationships. Given the generally assumed importance of CEOs to the success of an organisation, especially within the discipline, I seek to analyse the nature of the relationship between Chairmen and CEOs by contrasting it with the relationship that occurs between CEOs and CFOs (or COOs).

6.2. Theory-related findings

Analysis of each case study illuminated different dimensions of agency-based and stewardship-based behaviour within boardrooms at organisations in distress. The Fynbos and Tulip case studies exemplified the effects of a high-interpersonal-trust and high-institution-based-distrust relationship operating at the intersection of agency (Jensen & Meckling, 1976) and stewardship theories (J. H. Davis et al., 1997b). Because of the high-interpersonal-trust relationships evident in both cases, governance actors were willing to embrace institution-based distrust mechanisms when the context demanded their deployment. This means that instead of discounting trust, empirical data from this case suggests that agency theory should borrow from stewardship theory by inviting interpersonal trust into its realm (Beccerra & Gupta, 1999). Likewise, instead of discounting distrust, the data encourages stewardship theory to borrow from agency theory and invite institution-based distrust into its domain. Therefore, I suggest the two competing and divergent corporate-governance theories should borrow consideration of the positive dimensions of trust and of distrust from each other to enhance their respective mechanisms.

My analysis of empirical data from the Protea case study revealed a relationship dynamic between the Chairman and the CEO that was misaligned *ab initio* because of institution-based distrust mechanisms that the Chairman used (consistent with an agency-theory-based perspective), while the CEO naively clung to relational-based trust mechanisms to regulate their mutual relationship (consistent with a stewardship-theory-based perspective). Therefore, my analysis illuminated the collision of an agency-theory-based leadership approach with a stewardship-theory-based one, which led to a negative outcome.

The Hibiscus case study enabled analysis of a stewardship-oriented board that had clear boundaries between its members of management and of the board and that had complementary leadership roles and relations between the company's Chairman and CEO. The stewardship-oriented board was evidenced by data that indicated the board was stable,

committed, and professional and that the relational engagement among the board and between the board and management was positive. Because of this professional and collegial approach to engaging, governance actors at Hibiscus cooperated well, even when they dealt with difficult issues that could have exposed the affected individuals and the organisation to harm. However, the data did not reveal how the dynamics might have shifted if there had been a leadership misalignment between the company's Chairman and CEO, as I observed in the Protea case.

6.3.   Category 1: chairman-CEO relationship centrality

I base this chapter's cross-case analysis on insights from the previous chapter's within-case analysis. Within corporate-governance practice and literature, the management team and the board have been considered crucial organisational decision-making units (Bailey & Peck, 2013; Bezemer et al., 2018; Tihanyi et al., 2015). According to the literature, the CEO and chairman have a special relationship, since they are the respective leaders of the management and of the board—the decision-making units (A. P. Kakabadse et al., 2006). As leaders of their respective decision-making units, they set the tone, direction, and organisational practices (Morais et al., 2018). This suggests that in their leadership roles, they influence the effectiveness of the management team and of the board. My observations from the case studies indicated that leadership approaches were generally influenced by what I coded as the *basis of the chairman-CEO relationship* (see Figure 7)*.*
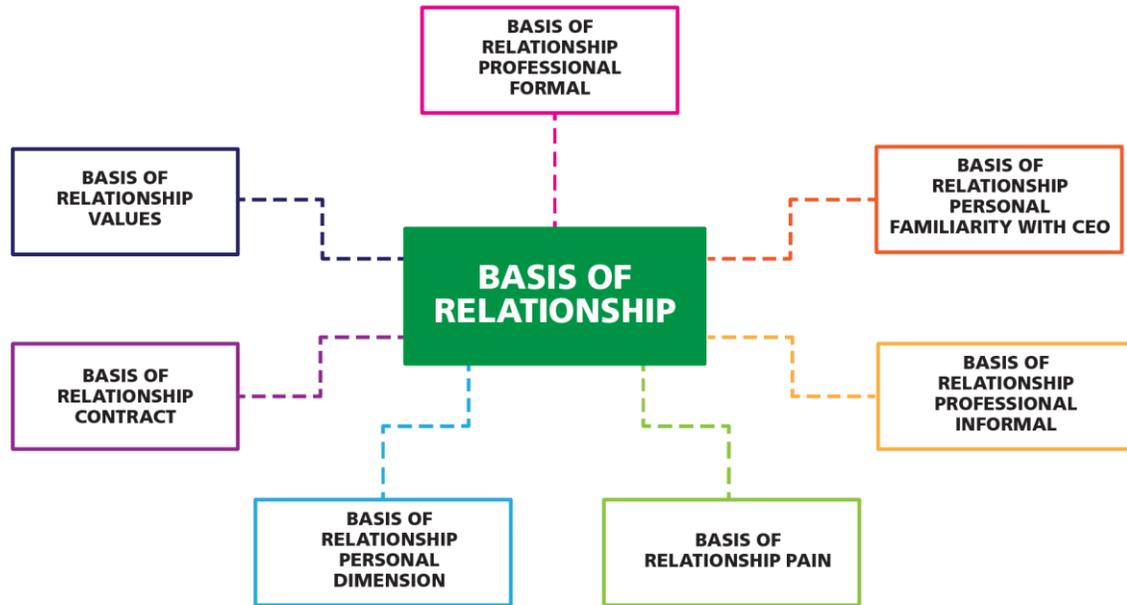
Figure 7. Basis of the chairman and CEO relationship. Author is the source.

The *basis of the chairman-CEO relationship* code underpinned the antecedents of the *chairman-CEO relationship centrality* analytical category that I use in this chapter. In Figure 8, I indicate that the basis of chairman-CEO relationships could be formal professional foundations or informal personal considerations. This relationship could be values-based, which maps onto a personal-based relationship, or contract-based, which maps onto a professional-based relationship. The case studies illustrated that when the relationship between a chairman and CEO was based on personal foundations, a prior relationship between them likely existed—one that started before either was appointed to their respective positions at the company. The case studies further indicated that when the relationship between a chairman and CEO was based on personal foundations, organisational distress tended to cause interpersonal pain between them, since they were centrally implicated in handling the distress. This type of interpersonal pain was caused by strain placed on the values-basis of their relationship. From these insights, I conclude that personal-based relationships may heighten the risk of negative relational dynamics between Chairmen and CEOs and may cause their engagements to be less effective. Therefore, while past interpersonal interactions acted as a positive variable in the growth of the business, since they had trust-building benefits, those interactions led to an unproductive over-reliance on

trust during times of organisational distress; past experiences with positive interpersonal interactions made the trustor vulnerable to opportunism.

Even when personal factors existed, as was the case at Tulip, I observed that it was crucial to establish a professional basis for interactions because the nature of the board required directors to ensure their actions always aligned with the interests of the company—an expanded view of the agency problem. I conclude that professional, as opposed to personal, relationships have a higher likelihood of addressing principal-agency problems because professional relationships are influenced by verified evidence. Therefore, according to the case-study data, within the analytical category *chairman-CEO relationship centrality*, it is preferable to ground relationships on a professional rather than a personal basis. This conclusion contradicts the long-established practice of selecting CEOs and Chairmen predominantly based on interpersonal factors (Westphal & Zajac, 1995; Withers et al., 2012).

The within-case analysis, across all four case studies, supported the conclusion that evidence-based decision-making was a hallmark of professional relationships. Evidence from the within-case analysis further indicated that a professional-based relationship between the CEO and chairman could be influenced either by homogenous or by heterogeneous historical, professional factors. A review of the Hibiscus and Fynbos case studies led to the conclusion that when a relationship is based on a homogenous professional history, it is likely that the CEO and chairman rely on similar ideologies, concepts, frameworks, and theories to process and interpret data (i.e., sensemaking) (Weick, 1993). Therefore, at Hibiscus and Fynbos, the CEO-Chairman dyadic pair benefitted from shared beliefs (Chattopadhyay, 2003) and possibly from shared characteristics (Fulmer & Gelfand, 2012), both of which positively affected team trust.

Conversely, data from the Protea and Tulip case studies indicated that when a relationship is based on heterogeneous professional histories, the CEO and chairman likely depend on different ideologies, concepts, frameworks, and theories to process and interpret data. As demonstrated in the Tulip case study, the diversity in professional histories between the CEO and Chairman required them to articulate their respective approaches to sensemaking in order to develop a shared approach. While articulating their approaches was necessary to overcome the disadvantages of their heterogeneous professional basis, it was not

sufficient. To fulfil the sufficiency condition, the CEO and Chairman had to intentionally develop a shared approach to sensemaking.

From the Protea case-study data, I observed that while the CEO and Chairman made their sensemaking differences visible to one another, their reasons for doing so were not aligned. This failure to align their motivations contributed to their failure to develop a shared approach, which then constrained the sensemaking between them. Consider the Protea CEO's reflections on his relationship gap with the Chairman:

> I had come on board on the back of the previous chairperson, with whom I had developed a two-and-a-half-year rapport, before I got thrust into the role [of CEO]. When he [the new Chairman] challenged me, I didn't know he was preparing . . . he was really testing "Who I am, and this is where he is." (D 29: Protea, CEO)

The Protea CEO also said:

> We did not play to each other's style and knowing the person. When I reflect on it now, the person who was my chairman versus the person that was there before, we did not have a forthright conversation, we did not have a proper . . . . (D 29: Protea, CEO)

From the CEO's reflections, I conclude that while the absence of shared beliefs and characteristics may constrain team trust, these twin constraints may be overcome by invoking generative processes aimed at deliberate action—as the Tulip case study demonstrated.

Building on the Protea case study, I suggest a heterogeneous professional relationship may be characterised by a chairman's high need for regular, verified information from a CEO. This need for regular updates and verification indicates evidence of a distrust-based relationship between the CEO and chairman, because scholarship on trust has established that verification is an indicator of distrust (Tomlinson & Mayer, 2009). This provides evidentiary support for the necessity of separating theoretical understandings of trust and of distrust (Lewicki et al., 1998) because, while a chairman may trust a CEO in a personal capacity, the chairman may simultaneously distrust the information provided by the CEO because of their professional differences around information presentation. As the Protea CEO noted:

> Where relationships are not forthright . . . so engagements are not forthright, we are left guessing as to what are we dealing with here? We are left guessing, "Did I convince you, are you on board or are you not on board?" And no amount of constant and regular engagement can remove respect. If there is a disrespect, and not overt disrespect but if there is . . . . You can't. Where there are certain people you do respect now surely you actually defer more time, engage differently? So, I think in reflecting on it, I don't believe we had a respectful relationship. (D 29: Protea, CEO)

The above reflection demonstrates that a relationship based solely on distrust does not allow for a forthright relationship, because it is characterised by uncertainty and suspicion. According to the Protea CEO, if uncertainty and suspicion are allowed to become norms, this could lead to breakdowns in trust, which would be illustrated through a lack of respect within relationships (Gillespie & Dietz, 2009). From the Protea case study, it is possible to extrapolate that, as long as respect exists between parties, distrust-based relationships could lead to positive outcomes. The presence or absence of respect within a distrust-based relationship is further support for the distinction between distrust and lack of trust—a lack of trust is moderated by the presence or absence of respect.

While respect was initially not a focal point in this study, scholars have noted that it is antecedent to cooperation (San Martín-Rodríguez, Beaulieu, D'Amour, & Ferrada-Videla, 2005), which is a factor scholars have said reinforces trust; the more a person cooperates and demonstrates trustworthy intentions, actions, and behaviours, the more the person deepens his or her trustworthiness. Conversely, the more a person trusts, the more a person is willing to cooperate. Therefore, trust is thus an important consideration that deserves its own study.

I observed in both the Tulip and Protea case studies that the provision of regular, verified information was a practice that CEOs used to develop the trust of distrust-oriented Chairmen, because this practice helped such Chairmen gain confidence in what the CEOs communicated. From the Protea case-study data, I conclude that the CEO's failure to understand the Chairman's information requirements resulted in their information-sharing sessions being detrimental, as opposed to helpful, to trust-development between them.

From data in the Tulip case study, I conclude that, because of the presence of mutual respect, the information-exchange practices between the CEO and Chairman contributed to the development of trust between them. The CEO influenced this development of trust by presenting the type and format of information that the Chairman desired and expected, which suggests that CEOs need to understand and meet chairmen's information requirements over time. As the Tulip CEO said:

> We started these long process-driven sessions, because the Chairman is a very process-driven man. So, we used to have long working sessions trying to work out, where we should be going? How we would take the business further? How we should be doing? There was one discussion that we had, which went on for several hours. People said, "Well okay, you know, we need to actually say what we want . . . personally in this business . . . and where we want to take it." (D 20: Tulip, CEO)

From the case-study data, I conclude that if trust is desired between a CEO and a chairman, a CEO's decision to provide accurate information to a chairman is a strategy that may be used to achieve such trust. Conversely, a CEO's poor understanding of a chairman's information requirements may be exacerbated by the CEO's trust and distrust orientations. A distrust-oriented CEO, one who relies on the strength of facts despite the strength of personal relationships, is more likely to quickly understand the information requirements of a distrust-oriented chairman because of their similar sensemaking orientations. Conversely, a trust-oriented CEO, one who relies on the strength of personal relationships rather than the strength of facts, is less likely to understand the information requirements of a distrust-based chairman. This was demonstrated in the Protea case study: I found that the trust-oriented CEO, who was enmeshed in a dyadic pair with the distrust-based Chairman, was blind to credibility-building distrust-based mechanisms that could have aligned him with his distrust-based Chairman. The Protea CEO said:

> With the benefit of hindsight . . . going and trying to give information to the person, it was my way of managing and mitigating what I was seeing as a risk—that there was a gap between us and how to bridge that gap rather for information sharing. Except I suppose if you had done some analysis of the person and their environment and said okay, this person is . . . object [oriented] . . . because all the information I was giving them . . . was working my mind-map. I'm painting this

picture so that you understand what I'm trying to do. Right? It's my way of communicating, and I'm going to be doing lots of it. Actually, the person is saying, "To what end? What is A and B?'" (D 29: Protea, CEO)

The more the trust-oriented CEO of Protea relied on trust mechanisms when dealing with his distrust-based Chairman, the more he compounded the Chairman's distrust in him. I discovered from the within-case analyses that dissonance between expected and realised CEO performance diminished the respect and trust that top management teams and boards had for CEOs. I also observed that a respected, distrust-based chairman typically respected top management team members for their business acumen and for their histories of effective performance. Extrapolating from the data, I conclude that a CEO without a proven record of effective performance will struggle to gain support from a distrust-oriented chairman.

The cross-case analysis of Fynbos and Hibiscus further suggested that alignment between the Chairman and CEO contributed to the development of a functional board, where trust and distrust operated in a complementary manner. Conversely, misalignment between the Chairman and CEO contributed to a dysfunctional board, where trust and distrust operated in an incompatible manner. This was demonstrated by the trust breakdown at Protea, which resulted in an environment of high distrust and low trust between the CEO and the Chairman (A. P. Kakabadse et al., 2006). To ensure that a board of directors operates optimally, I conclude that CEOs and chairmen should work towards relational and sensemaking alignment. Doing so would enable effective governance that would lack the moral hazards that arise from information asymmetry, as described by agency theory. The Hibiscus CEO spoke about this topic:

> In a board context, I think one of the biggest challenges for non-executive directors is that you are reliant on the information that is presented to you. You don't necessarily have the time or the ability to go and gather alternative facts or evidence. So, you are to some extent completely dependent on what the executive management put forward to you. In theory, you can be misled because you can have manipulation of information in such a way that it suits a particular agenda, as opposed to be an objective reflection of what is happening in an organisation.

So, for good reason in bigger organisations, you must have independent control functions and executive management and a board that can put forward alternative facts or views on a particular situation. In our context where it is a smaller organisation, you largely choose to be in that role to the extent that you are willing to trust management and whether they objectively put forward facts, or whether they massage information. And that potentially exposes non-executive directors in their fiduciary capacity.

So, a good non-executive will always probe, ask questions, try and look for the information that is not necessarily presented, or the syntheses or views that are not necessarily put forward, and try and extract that . . . to get a more balanced view. But why I say trust is important is that at the end of the day, you really are at the mercy of whether your executive management put forward objective facts. (D 23: Hibiscus, CEO)

Evidence from the case studies also suggested that the mechanisms to align a CEO and a chairman are influenced by the context of their relationship; the alignment process in a healthy business environment differed from the process in a distressed business environment. In the healthy environment, such as the internal environment at Hibiscus, the Chairman and members of the board were less critical of information provided by the CEO, because they relied on the evidence of his business success. Therefore, I suggest that trust mechanisms are more likely to operate effectively in healthy business environments.

However, when business performance declined. or distress emerged, in all four cases, members of the board and the chairman focussed less on performance output and more on activity inputs. Therefore, I suggest that a healthy business environment may be described as a high-trust environment, because governance actors rely on positive performance outcomes to confirm a CEO's veracity and capability. Similarly, a distressed business context may be described as a low-trust environment, because governance actors focus on the CEO's and management members' activities and behaviours in order to assess the performance of the business more directly. For instance, at Hibiscus, the Chairman focussed on the activity and behaviour of management and sought to verify that the CEO's promises were achievable. Therefore, given his high need to verify information, distrust mechanisms drove the relationship between Hibiscus's CEO and Chairman in their low-trust, distressed business environment. The Hibiscus CEO said:

Ultimately, one needs to think clearly about delegations of authority, at what level are you willing to trust and give mandates, your policies and procedures, monitoring on policies and procedures and decision making, and it comes with time and experience.

If there is evidence of a particular executive manager presenting balanced views, disclosing strengths and weaknesses, being willing to own up and be accountable even if mistakes are made, you can to some extent then place reliance on that candidate's ability to navigate decision making in general.

If you have concerns, then you need to work harder around what are the mechanisms that you put around that to protect, I guess, both the individual but also the organisation within that context. So, it must be things like relying on independent control functions, asking for independent audits on particular functions and activities of a business, checking in with individuals who are not necessarily in board meetings and getting their view as to what is going on within the organisation. (D 23: Hibiscus, CEO)

The different mechanisms that operated in the case studies suggested that CEOs and Chairmen should endeavour to align relationally and use different credibility-building mechanisms to do so. Therefore, in addition to objectively understanding a chairman's information requirements, a CEO ought to understand that the nature of information requirements is influenced by the business context, such as a healthy (high-trust) or a distressed (low-trust) context. The former indicates a need for CEOs to be aware that they must try to understand Chairmen's sensemaking requirements (trust- or distrust-based). The latter indicates a need for CEOs to appreciate that understanding Chairmen's sensemaking approaches is a contextually bounded process (low- or high-trust context). Together, the within-cases analyses built the foundation for my argument that the operations of trust and of distrust among governance actors in distressed organisational contexts may be separate, different, and simultaneous.

6.4. Category 2: CEO and chairman attributes

As part of the process to understand the different, separate, and simultaneous operationalisation of trust and distrust mechanisms, I considered the attributes of both the CEO and the chairman. This required reviewing their relational dynamics from a cross-case

perspective. This path to understanding relational dynamics follows a three-fold analysis. First, I begin with a discrete analysis of the attributes of CEOs. Second, I continue with an analysis of the attributes of chairmen. Third, I conclude with a comparison of the two types of attributes.

6.4.1. *Code-group: CEO attributes*

Twenty-two attribute codes arose from the within-case analyses, and I grouped them under the *CEO leadership style* code group. These codes indicated that CEOs were considered to have mostly positive attributes. I indicate the positive attributes on the right side of Figure 8. According to codes in this group, CEOs were seen mostly as intelligent and trustworthy strategists who were contextually appropriate and people-centred. Study participants characterised CEOs as engaging, empowering, and vulnerable team players who pursued a growth strategy in business. However, in pursuit of such growth strategies, some CEOs found life at the top very lonely. Still others were indecisive, which contributed to organisational distress. Other CEO-related factors that contributed to organisational distress included paranoia, dishonesty, organisational politics, dominance, and wilful blindness.
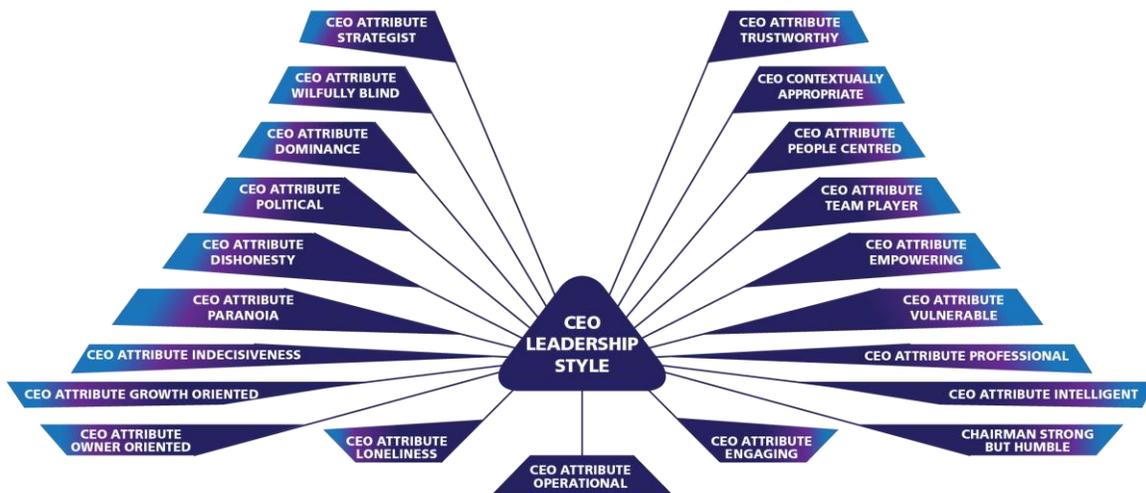
Figure 8. CEO attributes. Author is the source.

During further analysis, I grouped the CEO attributes under two major categories: those that were role-based and those that were personality-based. I depict the two types of attributes in Figure 9, where the outer circle contains the two-essential role-based attributes and the

inner circle contains the ten personality-based attributes of the CEOs in the four case studies I analysed. The CEOs in the analysed case studies had different combinations of role- and personality-based attributes, which resulted in varying levels of effective relationships with their management teams, boards, and Chairmen.
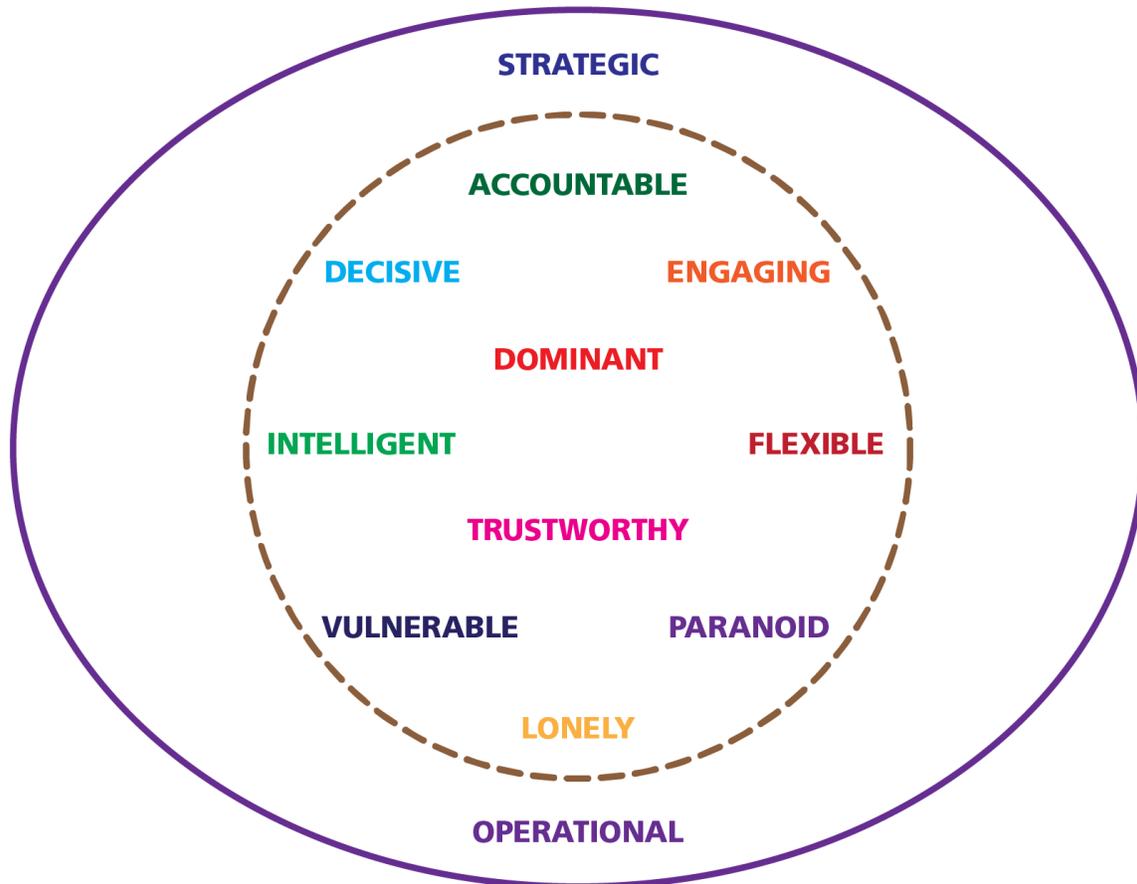
Figure 9. Role- and personality-based attributes of CEOs. Author is the source

Code-group-CEO: role-based attributes

The cross-case analysis revealed that in all four case studies, the CEO had to be strategic both technically and relationally. The technical dimension refers to the capability of the CEO to help set the organisation on a sustainable path. The relational dimension refers to the CEO's ability to persuade others to subscribe to the CEO's technical solution. In all four

case studies, I found the technical dimensions of CEOs' strategies to be sound. However, at Protea, I found the CEO's relational dimension to be weak. The Protea CFO noted:

> Ja, so look, but I accepted my lot, I didn't leave or anything, I accepted it and we worked together, but we had you know . . . we probably weren't as close as a CEO and CFO should have been because we had fairly fundamental different views of how we should be running certain parts of the business. And, you know, that eventually culminated in the CEO leaving Protea, and my views were more aligned to what the board was asking, and it was a focus on certain things as opposed to focusing on Africa say. So, I was very much aligned with how the board saw the future of Protea needed to be focussed on, as opposed to what the CEO was focusing on. (D 40: Protea, CFO)

Regarding the operational attribute, the Protea CEO explained that while the role of the board was to set the strategy, the role of management was to execute such strategy. Because the CEO was both a board member and a member of management, he had to have appropriate levels of operational focus. The Protea CFO supported this view but raised doubts about the extent to which the CEO was operationally focussed. The Chairman of Fynbos and the Chairman of Hibiscus expressed confidence in the operational competence and efficacy of their respective CEOs. This enabled those Chairmen to allow their CEOs to lead from the front, and they, in turn, were happy to lead from the back. From the case-study data, I conclude that when a CEO has demonstrated appropriate competence and efficacy at an operational level, he or she can rely on support from his or her management and board. The inverse is also true.

Code-group-CEO: personality-based attributes

Intelligence code

In all four case studies, governance actors either explicitly or implicitly prescribed the intelligence of CEOs. This personality-based attribute seemed self-evident, considering the role-based attributes of strategic and operational efficacy. While governance actors among all four case studies emphasised a CEO's cognitive intelligence, only some emphasised a CEO's relational intelligence—which is measured by a dynamic mix of emotional and ethical intelligence (Maak & Pless, 2006). Tulip and Protea present two contrasting approaches to

relational intelligence. At Protea, relationships among management, among members of the board, and between the board and management were broadly distributed along the trust and distrust dimensions. This necessitated invoking multiple dimensions of trust and distrust mechanisms for the CEO to successfully navigate his network of relationships. However, he utilised the same approach with his management team and with his board members, regardless of their locations on the trust and distrust dimensions. In so doing, the Protea CEO demonstrated low relational intelligence. At Tulip, the same relationships were consistently located in the high-trust and high-distrust quadrant. In that environment, the CEO demonstrated a willingness to operate in a field of tension, which illustrated a form of relational intelligence. The Tulip CEO said:

> Well, there is always, you know the Dutch would call it "spanningsveld." There's kind of tension area, there is always a certain amount of tension. It's a nice word because it's a field of tension. It was always a healthy tension between us because . . . we are competing for resource. Resource was time, capital, and growth opportunities. (D 20: Tulip, CEO)

I therefore conclude that while cognitive intelligence is a necessary attribute of CEOs in distressed organisations, relational intelligence is critical because it communicates several important, comforting factors to boards. First, it communicates that a CEO is willing and able to operate in a diverse decision-making unit. Second, it demonstrates that a CEO is willing and able to be vulnerable when necessary. Third, it illustrates that a CEO is willing and able to work with opposing perspectives in order to achieve an acceptable reconciliation of views.

Dominance code

At Tulip, the CEO constantly operated in a high-trust and high-distrust environment. As a result, he allowed himself to be scrutinised even after decisions had been made and were being implemented, as long as such scrutiny was not personalised and was well-intentioned. The net result was that the rules of engagement in that environment were clear and shared by all, and the CEO could locate his dominance in the shared domain of trust and distrust. Consider his reflections on the merger that Tulip experienced after Blue Bank disposed of its 63% share:

I'm now [present day] in a situation where I've got to . . . I'm trying to, I'm not even trying to manufacture trust, I'm trying to build bridges with new members of the management board, more than half of who come from another organisation. So, we come from different places, different cultures, different backgrounds, different business cultures . . . . I can't say, "Listen, this is the contract we gonna have with each other." I have to go about doing things so that they can see that they can be open and vulnerable with me and that I'm like that with them. (D 20: Tulip, CEO)

At Protea, the CEO was willing to be scrutinised as the board made decisions. However, once a decision had been made, the CEO expected to be trusted to execute the agreed-upon strategy. The Protea CEO expected to operate in a high-trust and high-distrust relationship with the board. However, some members of the Protea board operated in a low-trust and high-distrust way, others in a low-distrust and high-trust way, and still others in a high-trust and high-distrust way. The CEO's trust and distrust domains were not aligned with the board's multiple trust and distrust domains. Therefore, the CEO could not locate his dominance in any particular domain. The governance actors' failures to recognise this difficulty contributed to weakening the bonds between the CEO and the board, between the CEO and management, and between management and the board at Protea.

From the Fynbos case-study data, I discovered that the CEO, who had a dominant personality, negatively influenced operations between members of management and of the board, because he controlled decision-making and accountability processes. As a domineering CEO, he created a low-trust and fear-based environment within which members of management and of the board had to operate. Because of his domineering personality, the CEO suppressed the activation of distrust mechanisms by management or the board. The dominance of the CEO contributed to the weakening of monitoring and control mechanisms. The net result was that at this organisation, led by a domineering CEO, the relational environment was characterised by low trust and low distrust, which exposed the organisation to elevated risks. In contrast, the Protea and Tulip case studies demonstrated that dominance can manifest in both negative and positive ways.

Decisiveness code

The attribute of CEO decisiveness was identified as important by governance actors in all four case studies. At Hibiscus and Fynbos, governance actors characterised the attribute

in a positive manner. For instance, when the Hibiscus CEO described a situation that would have seriously compromised the organisation, he noted that he had acted decisively to protect the interests of the bank. Likewise, the CEO of Fynbos acted decisively to protect the interests of Fynbos when every other business in its parent-group of companies was under financial distress. Governance actors in both case studies portrayed decisiveness as a desirable, positive attribute of CEOs. They implied that indecisiveness in those instances would have been an undesirable CEO attribute.

Indecisiveness was discussed or illustrated by the CEOs at both Tulip and Protea. The Tulip CEO described a situation when his predecessor was indecisive when dealing with a conflict among management board members that threatened to harm the bank. His predecessor was constrained by health issues and, as a consequence of his indecisiveness, organisational conflict was unnecessarily protracted. The Protea CFO explained that the Protea CEO had become increasingly indecisive as the organisation experienced more distress. The Protea CEO's indecisiveness was induced by a stressful situation between members of the board and the CEO. Regardless of the cause, indecisiveness at both companies impaired management and board effectiveness by slowing decision-making.

I suggest that a CEO's trust and distrust orientations in relation to a board will influence the degree to which the CEO's indecisiveness negatively influences management and board effectiveness. In the case of Protea, the trust-distrust relationship among governance actors was dispersed and complex, and indecision exacerbated the trust-distrust misalignment between the CEO and the board and between the CEO and management. In the case of Tulip, the trust-distrust relationship among governance actors was aligned. CEO indecisiveness at Tulip was less harmful because, ultimately, the management board resolved their conflict. Therefore, indecisiveness was not objectively negative in the Tulip case study. The extent to which indecisiveness is negative is influenced by the alignment or misalignment of the trust and distrust relationships among governance actors. The Protea CEO commented on this:

> Well, let's start by saying that if we are operating as a board to get the most out of the situation at hand, we need to learn to trust one another . . . that demands and requires a certain level of personal relationships so that the we can build that trust. I need to know then what I can trust each person with beyond what is on their CV.

Clearly that comes through in understanding how they think and how they apply themselves in a situation . . . .

It is not possible for us to be endowed at an individual level with all the expertise that are required to execute all our duties. We rely on the diversity of experiences and expertise . . . even if they are not qualified per say, but they will drill down, ask the right questions, and get to the bottom of the matter. (D 29: Protea CEO)

Engaging code

Relational attributes of a CEO also included the degree to which a CEO engaged openly and transparently with members of management and of the board. From data, the Fynbos, Protea, and Tulip CEOs were described as leaders who liked to engage their respective management teams and boards as part of decision-making processes. These CEOs believed that the engagement process demonstrated their bona fides and, in so doing, was a crucial aspect of the persuasion process. My analysis revealed that the CEOs used engagement as a trust-building mechanism. Consider what the Fynbos CEO expressed about the role of interrogation:

I found, for me, boards to be very interesting stakeholder group: Like all groupings of people, you have got either very vocal people on particular topics where they feel confident, they feel strong. You have got political people who may survive by swaying others one way or the other—I guess equally on things they believe in. The role of the board, then, in the context of this relationship, in the context of this, is in the first instance to observe the dynamic and ensure that the dynamic that's working is positive on the balance. And I say on the balance because you've got such a crowd of diverse people with different interests while the CEO, the chairman, are trying to manage that. (D 29: Protea CEO)

Accountability code

The engaging attribute was related to the accountability attribute. An analysis of the Fynbos CEO's opinions indicated that governance actors can use distrust mechanisms positively. This view was echoed by the Tulip CEO's ideas about accountability, which indicated that distrust mechanisms not only contributed to the efficacy of the trust mechanism but that both

mechanisms were interdependent. When trust and distrust mechanisms were unaligned, a lack of CEO accountability could lead to negative consequences among governance actors. The Fynbos CEO discussed this:

> And so the process of finding errors in any organisation, in any piece of work, in any project, we have just been trained from a young age is par for the course, it is not a mechanism that communicates distrust, it is a mechanism that you start off by saying, "I take pride in my work, I take pride in what I do, I want to achieve positive outcomes for an organisation collectively," and therefore a different perspective or view on something is beneficial, and so that level of interrogation—checking of facts, verifying alternative things, often could be just to pick up things that you may have missed. And it is not that we are coming from a point of distrust necessarily, but from a point of professional pride. (D22: Fynbos, CEO)

By being open to scrutiny and inviting a critique of his work, the Fynbos CEO was communicating comfort in his competence and pride in his work. This contributed to building his credibility by demonstrating that he had nothing to hide. In so doing, he created the impression of trustworthiness. Therefore, I suggest that accountability mechanisms are causally linked to trust-building mechanisms.

Flexibility code

Two case studies indicated that flexibility was an important CEO attribute. At Protea, the CEO worked well with one type of chairman but not as well with another. While the CEO was able to recognise that he was not aligned with the current Chairman, he was not able to pivot, adjust, or behave in a manner that was more responsive to the current Chairman. Therefore, the Chairman characterised the Protea CEO as inflexible.

At Tulip, the CEO was flexible about certain aspects but inflexible about others. The Tulip CEO described how he was able to work with his long-standing Chairman, as well as with the Chairman appointed by the new corporate shareholder. The new Chairman was from a different country and was professionally divergent from the CEO. The CEO indicated that he was unwilling to compromise on the principle of consensus-based decision-making. Despite demonstrating inflexibility around a foundational principle, the Tulip CEO demonstrated willingness to understand the relational requirements for a functional and mutually beneficial relationship with whichever chairman he worked at any point in time.

Regarding trust and distrust mechanisms, I suggest the flexibility attribute contributes to the development of trust between CEOs and chairmen, since these role-players change occasionally. The Fynbos CEO discussed this:

> Because we may have sometimes been at risk in making decisions too quickly because we were under pressure in particular circumstances, debating some of them, looking at alternative views, took us to stronger outcomes eventually. From a management point of view, your frustration is always, you don't want decisions to be delayed because you are trying to build something, you are trying to move on. And sometimes it was like the board was holding back on certain decisions, but often that is where the value sits . . . that has got to be extracted—delaying a process or holding back an executive that is wanting to move forward means you are not properly interrogating, asking are they going about it the right way, are the right things in place, etc.—and that is good. (D22: Fynbos, CEO)

Truth-oriented code

The development of trust among governance actors is crucial because the governance domain is characterised by distrust practices and low-trust behaviours: Distrust practices are an antidote for low-trust behaviours. The Tulip CEO placed a premium on the notion of truth, which was evident in his insistence on consensus-based decision-making processes. According to him, consistent histories of truth-telling among governance actors contribute to their abilities to develop trust in each other. The Protea CEO explained that, for him, truth was something that emerged over time, but for his Chairman, truth was an object used to achieve an outcome—and the evidence of truth was incremental. Therefore, some CEOs' preferences for truth suggested that they relied on distrust mechanisms, even when they were inclined to favour a trust-based relationship, because they had experienced the negative consequences of over-reliance on trust-based mechanisms in the past. As the Protea CEO stated:

> It will be like, "Here is a truth that works, why are we trying all the other things because this works?" So, I think upon reflection, if you ask me, dealing with people, my own insight is just that you have got to . . . play them to their strengths . . . . There is no way a person can learn at that age. (D 29: Protea CEO)

Loneliness code

As boundary-spanners, CEOs often mediated conflict within their management teams, as well as conflict within their boards. CEOs often expressed feelings of isolation and loneliness when there was conflict in one or both domains, because they felt they could not share details about the conflicts with anyone at the company. The boundary-spanning role also made them feel as though they had to split their loyalties—loyalty to management, to the board, or to themselves.

The Protea CFO explained that he believed the CEO must have felt isolated during his conflict with the board. The Fynbos CEO directly described the feeling of isolation he had experienced when he had tried to avert what seemed like the company's certain financial ruin. He explained that he initially could not rely on the Chairman because he felt that the Chairman was relationally conflicted. The Hibiscus CEO indicated that he often felt isolated during periods of political instability in Zimbabwe because he was not aligned with the governing political elites. The Tulip CEO explained that he felt lonely and betrayed during the company's period of board and shareholder distress. These accounts by the CEOs illustrate that split loyalties and feelings of isolation are common attributes of being a CEO, especially in contexts of conflict and distress. The Tulip CEO said:

> Okay, and it was all very personal, vitriol I would say. And, I would have to respond to these things. Then, this was now the shareholder, writing to me, not the supervisory board, which is very unusual . . . and doesn't fit in with governance either, the result of that is that the stress was huge. I would table these things at the supervisory board, the atmosphere became very icy . . . . It was almost kind of moving towards constructive dismissal . . . because they couldn't fire me, because the minority shareholders, well the shareholders will agree on constructive . . . . (D 20: Tulip, CEO)

Some CEOs responded better than others to feelings of isolation and loneliness. A view they consistently expressed was that they felt being a CEO was painful and stressful. The Hibiscus CEO was quite pragmatic about the company's political context and its effect on individuals such as he. The Protea CFO indicated that their period of distress was painful not only because their CEO felt isolated, but also because he and other governance actors experienced its effects. The CEO of Protea expressed feeling vulnerable and feeling the

need to protect himself from the consequences of conflict, which he could not discuss with anyone. The Tulip CEO expressed feeling both betrayed and isolated. The feelings of loneliness were less pronounced at Tulip, even though Tulip's organisational distress was more serious than the distress at Protea. However, the trust-distrust relationship was more aligned at Tulip than it was at Protea. Therefore, I infer that the effects of such painful feelings of loneliness, isolation, and betrayal are moderated by the trust and distrust dynamic within organisations.

Resilience code

The attribute of resilience was tied to the feelings of loneliness, isolation, and vulnerability that characterised CEO roles, and this was particularly the case when conflict occurred among members of management or the board—or both. For instance, the Tulip CEO did not shy away from conflict, even when such conflict resulted in a personal cost. The Fynbos CEO was also not afraid to engage in conflict if he believed it would lead to the best outcome for his company. Likewise, the Protea CEO engaged robustly with his board when differences about strategic direction started to emerge. Finally, the Hibiscus CEO was not discouraged by the poor political leadership in Zimbabwe, which caused his company distress. Therefore, resilience was an important attribute among CEOs across all case studies, and their resilience demonstrated their commitment to finding a positive outcome for their organisations, regardless of the personal cost. This characteristic indicated that the CEOs could be trusted to act in the interests of the organisations. As I mentioned in the previous chapter, the Hibiscus CEO discussed this:

> You know, if there is one thing I think we have learnt over the years, it is be up front with your board, give them no sort of nasty surprises and the same thing with the regulator. If you found a problem go and tell them about it, as early as possible, and hopefully with a solution as well sort of thing, so that they don't discover something that you have either been hiding or that you didn't know yourself.
>
> So, which is what, after a little bit of reflection, we did. People were disciplined at an appropriate level rather than sort of just chucking everyone out, because what they were doing was trying to save the bank, not do anything for their own purposes or anything like that. But the initial reaction was a little bit of panic sort of thing, and maybe a bit of

over-reaction I guess. Maybe that is natural, but you know, in a stressful situation, I don't suppose you know how people are going to react. (D 23: Hibiscus, CEO)

Trustworthiness code

Each of the attributes I have analysed are transformed by the trust and distrust dynamic between CEOs and board members. The Fynbos CEO said that non-executive directors need to trust their CEO because the CEO, and by extension the management team, is the source of much of the information on which they rely to make crucial decisions. The Hibiscus Chairman advised that it was important to trust the Hibiscus CEO. He discussed various CEOs with whom he had worked over the twelve-year period he had been Chairman, and he explained that if a chairman could not trust a CEO, then the relationship was untenable. The Hibiscus Chairman explained that he valued how the Hibiscus CEO facilitated open and transparent interactions. The Tulip CEO explained the importance of trust and said that trust was doing what a person said he or she would do. The Protea CEO also indicated that he believed board members should trust him and the management team to execute company strategies. He said:

   I recall a senior executive walking into a meeting and the way of testing whether you knew your stuff is they would ask you a pop quiz question around a fundamental component of your business, if you failed that they didn't trust anything that you were presenting, you are clueless about your business.

   For example, if you are running a property company, they will be saying on that property, what is the rental per square meter. And if you don't know the number, they say, "Okay, and your competitors who are next door, how much are they paying per square meter?" And if you don't know the number, they say, "Okay, and how much do we need to give to get a return of Y?" And if you don't know the answer, they will say, "This meeting is over." (D 29: Protea CEO)

The reflections in this section underpin an important observation from the cross-case analysis: Trustworthiness was consistently described as a crucial CEO attribute, without which nothing else mattered. The general idea was that a trustworthy CEO contributed to a positive relational dynamic between members of the board and of management.   An

untrustworthy CEO contributed to a negative relational dynamic, which could exacerbate organisational distress.

6.4.2.   *Code group: chairman orientation*

Whereas I discussed and analysed CEO roles and attributes from multiple perspectives, I discuss and analyse the chairman roles and attributes from the four case studies through a narrower lens. The chairman role-based attributes that I discuss and analyse are limited to the level of involvement and what could be inferred from these attributes. The personality-based attributes coalesced around the notion of dominance, and I used other attributes to explain or clarify chairman dominance as it related to the chairman-CEO relationship and the chairman-board relationship. The personality- and role-based attributes were also influenced by the nature of the relationships among the various governance actors. In the context of this study, trust and distrust were the main mechanisms that I investigated.

Code group-chairman: role-based attributes

The role-based attributes were related to whether a chairman led from the front, centre, or back. Those chairmen that are usually more involved with day-to-day organisational operations lead from the front and have a need for regular and detailed information about organisations (Morais et al., 2018). At Protea, the Chairman led from the front, which was consistent with his prior experience as a successful Chief Executive. As I noted in the previous chapter, the Protea CFO described the Chairman's place in the business:

> The Chairman got a lot more involved in understanding in how we were driving the business. Ja, it's difficult in that, you know, the Chairman had to give the CEO the benefit of the doubt . . . . I wouldn't have wanted to be in his shoes. It is a very difficult process to manage. Look, and he's a tough guy. So ja. If you ask me about what happened when I resigned . . . (laughs). I won't go there. It's too painful still" (D 40: Protea CFO)

Leading from the centre signalled a chairman who preferred a more inclusive leadership approach and who encouraged the expression of the views of all members of the board and of management during decision-making processes. The Chairman of Hibiscus exemplified leadership from the centre. Interviewees described him as someone who made space for

alternative views to be heard and who relied on the leaders of the board sub-committees when he facilitated discussions. The Hibiscus CFO explained that the "board Chairman knows how to fish out the pervasive issues because of his clarity on financial issues and his personal application. He is a great facilitator of discussions. He picks issues out and provides direction for the board" (D 27: Hibiscus CFO).

The Hibiscus Chairman valued this approach to leading a board, and his explanation of an ideal chairman was consistent with how the CFO described him. This consistency in how people perceived the Chairman and how he perceived himself indicated that the Chairman exemplified his notion of an ideal chairman. As I noted in the previous chapter, the Hibiscus Chairman described his ideal in the following way:

> [A chairman] encourages board members to articulate their views without being fettered, because only then can you get value from the board; if you are going to be a dictator on the board you are not going to go anywhere, it doesn't work that way. People come up and have ideas, so you have got to give free rein environment, people cannot just have wild ideas though, they have got to be constructive. But they have to be focussed. So, the role of the chairman is to get those ideas and focus them for discussion, resolution, and implementation. They have valuable ideas. (D 34: Hibiscus Chairman)

Leading from the back suggested that a chairman preferred not to interfere in day-to-day operations or in interactions during formal board meetings, except to occasionally mediate disputes. The former Chairman of Protea and the Chairman of Fynbos's holding company were suggested as illustrations of this type of leadership. Within distressed organisations, governance actors tended to look upon this approach with disdain when they compared it to the approach of a chairman who leads from the front or the centre. As a non-executive director at Fynbos said, "And the Chairman, to be specific, was always technically a decent chairman, but never a commanding chairman" (D 37: NED Fynbos).

Viewed separately and in context, study participants characterised leading from the centre as the ideal chairman leadership type, and they posited leading from the back or from the front as undesirable. However, as I noted in the previous chapter, the Chairman of Fynbos invoked a sporting analogy to capture why a chairman would choose to lead from the front, back, or centre: He suggested the choice was a reaction to the attributes of the company's

CEO and that CEOs and Chairmen should operate in a complementary manner. Therefore, according to data in this study, such leadership attributes were moderated by several factors, including the nature of relationships between governance actors and by an organisation's context. From the case-study data, I conclude that CEO-chairman attribute complementarity is crucial to effective board task-performance within organisations. For example, if the Chairman at Protea chose to lead from the front, in the context where he and the CEO had attribute incompatibility, his decision would lead to undesirable outcomes. The Protea CEO noted this:

> If the board, if the chairperson thinks he is one of the participants, in other words, that is playing the game of demonstrating that he's a stronger businessman, he's a whatever—I think it's a problem, because the dynamic gets neglected. (D 29: Protea CEO)

> *Code-group-chairman: personality-based attributes*

Within the four case studies, the role-based attribute of leading from the back, front, or centre was related to the personality-based attribute of dominance, which emerged as the primary attribute of concern in this study. Across all four case studies, governance actors expressed concern about the dominance of chairmen, but they also expressed interest in other attributes of chairmen. For example, research participants characterised chairmen as coaches, facilitators, reflection partners, leaders, hard but fair leaders, and weak leaders. I analyse the dominance variable in the context of these various chairmen dimensions.

Dominance code

When relationships were equal between dominant personalities, and one person sought to assert himself over another, the people involved invariably experienced conflict. Within some case studies, a personality-based conflict between the CEO and chairman contributed to dysfunctional relations among and between members of their respective teams. For instance, the Protea CFO reflected on his early career:

> The Former CEO of a Bank—[was] very strong, confident personality—both he and [his Chairman] are very strong personalities and very forceful personalities and one could say almost dominant type personalities. And when you have a clash of very

strong personalities, you know . . . we simply found these differences of opinion. (D 40: Protea FD)

Consistent with my analysis of CEO attributes, I discovered that dominance as a chairman attribute had both positive and negative dimensions. The Chairman of Tulip reflected on the type of board he would join and indicated that he would prefer a strong and dominant chairman who used such dominance to positively constrain a dominant CEO, so members of the board could effectively hold management accountable. As I noted in the previous chapter, he stated:

> I would join a Board that has a strong chairman, not strong in the sense of can bully the deal, bully the business along, but strong in the sense of being able to muzzle the Chief Executive . . . and allow the board to, to confront the Chief Executive. (D 29: Tulip Chairman)

The Tulip Chairman illustrated that a dominant chairman who acted in a constructive manner could defuse tensions and mediate relations between people in conflict and therefore could facilitate board cohesion:

> He would move militarily. "I think we all can agree that this need to be discussed further, makes you move on. Next meeting" . . . I think we would need to be funny about it sometimes . . . "We can all agree that [this director] and [the CEO] are not going to agree on this today, so it's better we move it on to another day, and Mr. Secretary, would you arrange for us to have a discussion, three of us?" (laughing). (D 29: Tulip Chairman)

Weak code

The benefit of a positive, dominant chairman was amplified when I compared such a chairman to a weak one. This was illustrated in the Fynbos case study, where the weak Chairman of the Fynbos holding company was locked in a dyadic pair with the dominant CEO. In that case study, the CEO had a long track record of successfully growing the organisation. However, when the organisation experienced financial difficulty partly because of his historical practices, some governance actors accused the Chairman of failing to lead and of being a bystander:

The third turning point was . . . when discussing the amount of capital to sustain the business. Capital was the other classic. I remember sitting at the . . . hotel where the non-executives "copped out." When faced with two executive directors with strongly different views, they chose to take a lunch break and encouraged the executives to sort out their huge differences of opinion. Surely, that is the reason you have non-executives is to deal with these differences of opinion. If the non-executives are looking for a consensus view from management, then what is their purpose? (D 38: Fynbos holding company FD)

The implication in the quotation was that in a situation where two executives had serious differences of opinion, a chairman should take charge—be dominant. In this instance, board members asked the Chairman to change his operating mode from referee to active participant, but he failed to do so. As a result, some participants suggested that the Chairman's failure to recognise that leading from the back was no longer appropriate was a factor that contributed to greater distress within Fynbos's holding company. However, at Protea, the Chairman, who was generally more involved, was able to take charge when differences between the CEO and CFO emerged. This was consistent with the sentiments expressed in another case. Consider the comments by the Tulip Chairman:

I think it is, okay, but I don't think the CEO saw it that way. Me going to talk to the Chairman directly where he was my boss, I think he saw that as me not being . . . . But the way I saw it I was a fellow director of Protea, and I thought I had to act on my concerns, and the only person that I could actually take that concern to and make sure it was properly [addressed]. (D 40: Protea CFO)

Humility code

While a chairman's weakness and rigidity may illuminate the negative dimensions of dominance, I suggest a chairman's humility underscores its positive dimensions. The Hibiscus Chairman was a commanding and respected banker, who had a wealth of experience both in Zimbabwe and internationally. When I asked him to talk about the source of his credibility, he reluctantly responded that he did not dictate outcomes:

I don't know, I just . . . I suppose . . . let me reflect here . . . . I am not presumptuous, I think that is a good anchor. And therefore, because I am not

presumptuous, I do not dictate outcomes—and I think that is what leadership is. (D 34: Hibiscus Chairman)

The Hibiscus Chairman illustrated that he did not have to be an active agent to influence the tone of interactions in the boardroom. His presence and inclusive approach were sufficient to communicate behaviour that was desirable and acceptable to the board he led. The Fynbos Chairman echoed this opinion about the role of chairmen generally:

> Understand that we have a strong board that was selected well. So, the Chairman is a facilitator that identifies issues and draws consensus. He does not drive the board, but he leverages the strengths in the board. He is organised and professional. (D 35: Fynbos Chairman)

Accountability code

I also illustrate the different dimensions of a dominant CEO by contrasting the accountability practices at Fynbos and Protea. At Fynbos, study participants described the Chairman as failing to hold members accountable for their contributions on the board and in board sub-committees. To participants, this indicated a lack of leadership, as well as a frustrated management team. Some also noted that it created space for the dominant CEO to have unfettered influence in the organisation:

> From a Chairman to the board. Did the chairman hold the different sub-committees accountable with any consequence? It is not evident that the Chairman did hold sub-committees accountable. Again, the Chairman did not hold members accountable for missing meetings, or not attending the full meeting. Considering, the board appraisal response, whether there was a tough action taken against people based on the board appraisal was also not evident to me. I am not talking about more recently, I am going back to when I joined the company as CFO. (D 38: Fynbos, holding company FD)

At Protea, however, the Chairman had a different approach to enforcing accountability, which entailed confronting the issue not only privately in committee meetings but also publicly in other organisational forums. His transparent way of holding members of management and of the board accountable indicated that while failure may not be tolerated, it also would not be hidden. As the Protea CFO said:

Look, like [for] the former CEO, it was hard, because I didn't even know the former CEO, and I didn't know the former Deputy CEO, and I remember it happened to be the year that the Chairman [then still group-CEO] made me . . . they had this director, all the top directors in the bank get invited from all over the world, so I had to do the presentation, little me. So, the Chairman made me personally do the presentation. And he also made the former CEO and former Deputy CEO explain what had happened at Protea! So ja, but he made the former CEO explain it to everyone in the parent company, from the podium—and the Deputy CEO as well . . . . You must account. So, um look, it was a very stressful period for the former CEO and outgoing CFO and the team. (D 40: Protea, CFO)

These contrasting experiences of accountability across the case studies suggest that dominance in a chairman might positively contribute to increased accountability among members of the board and of management. To the extent that a chairman acts with positive intent towards an organisation, this approach may be more likely to result in an effective board. However, I suggest the distance between a dominant chairman and board effectiveness is mediated by the nature of the relationship between the boundary-spanning chairman-CEO pair. In the previous chapter, I illustrated that when the boundary-spanning pair is relationally aligned, their sensemaking approaches are also likely to be aligned. As such, I conclude by extension that relational alignment between the chairman and CEO may mediate the relationship between a dominant chairman and board effectiveness.

6.5.   Category 3: CEO and CFO boundary-spanning

The case studies I analysed in the previous chapter indicated that while there were several CEO variables worth exploring, the chairman variables worth considering were fewer. Regardless of the number of variables, the nature of the relationship between CEOs and Chairmen was an important explanatory factor for understanding the effectiveness of interactions among and between members of management and of the board. Because so many important variables related to CEOs, I considered it necessary to analyse other relationships that might contribute to explaining CEOs' boundary-spanning role. To do so, I analyse in this section the relationship between a CEO and his management team, and I use a CFO as a proxy for the management team. In particular, I analyse how CFOs viewed their roles and how they were viewed by others in relation to CEOs and to boards in general.

From the within-case analyses in the previous chapter, I concluded that CEOs sought to ensure that the interactions between their management teams and boards were aligned. Top management teams usually consisted of a CEO, a CFO, and other top managers who were responsible either for a specific support function or for a product line function. The CFO was required to interact with all members of the top management team as often as the CEO. With the notable exception of Fynbos, in the three of the case studies, CFOs were also members of the board, alongside CEOs, and had the unique dual roles of being employees and directors. As the Protea CEO noted:

> So, I think that is the same for the dynamic with the CFO. The CFO walks in there as a director, but half-way through the meeting, he has had to report the numbers and justify why they are what they are. And really, literally step out from being a board member to be a party reporting to the board and having to represent what the business has done. And then the next minute, we move into a succession debate, we move into a remuneration discussion, we move into this thing—he is excluded from these conversations because he is an affected party. And the story goes on. And the same applies. I think it is awkward, but it's a natural . . . . Sorry, it is a social, I think, for me, it's just how you socially manage that. (D 29: Protea CEO)

I suggest that a harmonious relation between a CEO and a CFO is crucial because they are both accountable to the board for the actions and results of different members of the top management team. Therefore, their relationship is an important variable that affects the efficacy of the CEO's boundary-spanning role. The importance of the CFO to the boundary-spanning role of the CEO is reflected in the Protea CEO's sentiments below:

> That partnership has to work, and it has to be frank, because the representation of what is happening often times is articulated by the CFO. And as much as I can articulate strategically what I'm doing, a lot of people listen when they see the numbers, they listen with intention. That's when the penny drops. And if that guy [the CFO] does not represent the strategy, he represents something else in his articulation of what is happening, it communicates a different message. (D 29: Protea CEO)

The Protea CEO's sentiments reflect how important relational alignment between the CEO and the CFO can be for management and board efficacy. According to case-study data, I found that, unlike other members of the top management team, CFOs needed to have more access to board members. Often, a CFO's access to the board needed to be unmonitored or unobserved by the CEO. Therefore, in several case studies, the CEO was vulnerable to the CFO's unobserved representations to members of the board. The Hibiscus CFO noted:

> I have full access to the Chairman of the Audit Committee. I regularly keep him up to date. For example, following a recent round of board and committee meetings in April, I recently sent him an email updating him about key issues. He has already responded to my email. My nature is to keep my chairman appraised of the key issues and get his input, so that there are no surprises for him. (D 27: Hibiscus CFO)

In each of the case studies, the CEO had to trust that the CFO's actions were consistent with his expectations when the CFO interacted independently with members of the board. Once again, this happened in the context of a relational alignment. Generally, I observed that the relational alignment between CEOs and CFOs developed over time through regular interactions in which both parties demonstrated value to each other. As one governance actor noted:

> The CEO and FD had an excellent relationship, and they had a huge amount of interactions every daily. They had a very good working relationship. I became FD . . . following a JSE requirement for that there must be a FD on the board for a company listed on the JSE. This was also following the departure of the group financial director. (D 38: Fynbos holding company FD)

Regular interactions between CFOs and CEOs enable them to establish each other's trustworthiness. From the perspective of the CEO, a trustworthy CFO was crucial because he or she could be relied upon to represent the CEO even when the CEO was absent. The Tulip Chairman described an example of such a CFO:

> A Dutch guy . . . the Head of the Legal Department for Wealth Management in Europe, who was based in Paris, he says, "We can't trust you because you ask [your CFO] a question, and he answers the question. Instead of telling me what I need to know, [your CFO] answers the question" . . . the board, the managers,

ourselves, the Dutch Central Bank, auditors, everybody trust [the CFO] because when he says something, he means it, he is always right, and I can't challenge him easily. (D 21: Tulip Chairman)

However, in case studies where the relationship between the CFO and CEO was not aligned, the CFO's independent representations diminished the effectiveness of the CEO's boundary-spanning role. In other words, when the trust relationship between the CFO and CEO was low, their abilities to represent each other were impaired. As I noted in the previous chapter, a governance actor at Protea said:

We probably weren't as close as a CEO and CFO should have been, because we had fairly fundamental different views of how we should be running certain parts of the business. And, you know, that eventually culminated in the CEO leaving Protea, and my views were more aligned to what the board was asking, and it was a focus on certain things as opposed to focussing on [a continental growth strategy]. So, I was very much aligned with how the board saw the future of Protea needed to be focussed on, as opposed to what the CEO was focussing on. (D 40: Protea FD)

This type of relational misalignment between the CEO and the CFO indicated general divisions among the top management team. That there were divisions among team members indicated that the team was no longer a functional unit. A dysfunctional top management team increased risk levels within the organisation. As such, in the Protea case study, the board had to intervene to reduce levels of organisational risk caused by divisions among members of the top management team. As I noted in the previous chapter, a Protea governance actor said:

No, there were two others that were trying to raise the red flags. We both were feeling extremely uncomfortable and that . . . I don't know if there were others, I can only talk about my experience, but I felt enough discomfort that I felt I had to talk to the board—which with hindsight, I would actually do it again. I might just actually . . . I must have been more . . . I might have said to the CEO " . . . I have raised these with you, look, I'm going to the chairman." I didn't do that. I raised the issues with him, I raised the issues with him, I raised the issues. I didn't feel that

we were making sufficient traction on that. And then [I] decided to go [to the board]. (D 40: Protea FD)

The relationship between CEOs and CFOs is unique: The CEO is hierarchically superior to the CFO, but the CEO and CFO carry the same responsibilities as executive directors of a company. This presents a dilemma that may manifest as conflict between the CEO and CFO. The resultant conflict presents challenges to the CEO's ability to effectively discharge his duties. The Protea CFO stated:

We had an open relationship, we discussed things. I would have . . . okay, let me put it . . . so I'm an experienced FD, I've done this for many years. And I've worked in large organisations. And I pointed out certain risks—which I don't feel were adequately acted on at the time. And that's where some of the disagreements arose. But the CEO had ten people reporting to him, not just me. And obviously he would have got differing views from some of the other people. (D 40: Protea CFO)

From this quotation, it is evident that the relationship between the Protea CEO and CFO was based on low trust. It was also based on low distrust, because they did not question one another often. The Protea CFO did not believe it was his place to challenge the CEO, and the CEO assumed that the CFO supported him. Despite the low-trust basis of their relationship, neither the CEO nor the CFO were inclined to engage robustly with one another. The Protea CEO said:

He didn't represent it openly, and this is really one of those under currents where you pick up, as soon as he doesn't like this—"That's interesting, what are you doing? Why now?" "But I never agreed with this thing." "What do you mean you never agreed with it?" "But we were in the same meeting I was in where you agreed this thing, what is your issue?" (D 29: Protea CEO)

At Protea, the CFO appeared to moderate the boundary-spanning role of the CEO because he validated the CEO among members of the top management team, as well as among members of the board. Generally, while CFOs in the four case studies had no direct authority over the top management teams, they accounted for the financial performance of the top management teams. In other words, they represented their performance to boards. Given the high regard in which the CFOs were generally held, boards relied on their

narratives. For this reason, governance actors in the four case studies desired CFOs to narrate the financial performances of the companies in a way that was aligned with the management team's strategies.

6.6. Category 4: relational dynamics and organisational outcomes

From case-study data, I conclude that there is support for the simultaneous existence of trust and of distrust among members of the board, among members of management, and between members of the board and of management. I base this conclusion on the observation that distrust operates as an essential board mechanism because members use it to verify the inputs and outputs of management so that third parties can trust reports of historical performance and have confidence in promises of future performance. The chairman of each company repeatedly pointed out how important it was to have confidence in members of management and implied how important it was for third parties to have confidence in the board.

I further conclude that different levels of trust and of distrust were influenced by several factors, three of which constitute the focus of this study. The first was the basis of the relationship between various governance actors. The second was the relational dynamic between Chairmen and CEOs. The third was the relational dynamic between CEOs and CFOs. Study participants' ideas about the importance of honesty and integrity provided the golden thread that ran through all three factors. Different levels of trust and of distrust across the four case studies demonstrated how honesty and integrity affected the relational dynamics between various governance actors.

From my observations, relationships that were primarily based on personal interactions were more likely to rely on trust and less on distrust. However, relationships based on professional interactions were more likely to invoke a combination of trust and distrust mechanisms. I further differentiated professional-based relationships into homogenous and heterogeneous sources. Ones with homogenous sources had a higher likelihood of relational effectiveness because of similar sensemaking approaches between the two people, which allowed them to use distrust in a way that yielded positive outcomes. In situations where members of the board and of management had diverse professional backgrounds, they had to make the consequences of their differences explicit in order to

enhance their effectiveness in the workplace. They also had to openly work on developing a common language to enhance their collective sensemaking approach.

In a typical organisation, the chairman and CEO represent its top two leadership teams. The chairman represents the board, which is made up of part-time leaders who have ultimate accountability for the performance of the organisation. The CEO represents a full-time team of managers who are responsible for the day-to-day operations of the organisation. The board and management teams are therefore highly dependent on each other for organisational performance. This mutual dependence implies that there must be mutual trust between the top leadership teams. In this study, I have established that mutual trust within the board and between members of the board and of management is grounded in the positive experiences of governance actors. To facilitate ongoing positive experiences between the board and management, I found that it is crucial for the chairman and the CEO to have a professional relationship that utilises an appropriately balanced mix of trust and distrust mechanisms.

In the relationship between the chairman and the CEO of the organisations in this study, the levels of trust and of distrust that existed were also influenced by the technical and relational skills of both people. I observed that CEOs had to be technically competent out of necessity—and at a minimum. However, to be successful and able to handle organisational distress, CEOs also had to be relationally adept. Therefore, while a CEO's technical capability was sufficient during periods of normalcy, it was inadequate during periods of organisational distress. To navigate periods of distress, a CEO's relational capability played a bigger role.

To develop relational capacities, I found that a CEO should encourage members of both the management and the board to scrutinise the performance of the CEO and management on a regular basis. This high level of scrutiny contributed to developing a safe operating environment between members of the board and management and encouraged trustworthy behaviour among the management team and between the management team and the board. I further established that a CEO's decision to submit to increased scrutiny was a sign of the CEO's trust in the board, and this type of increased scrutiny helped the company resolve organisational distress occasioned by factors external to the company.

One of the key findings from the case studies was that boards of directors whose relational dynamic was professional-based preferred consensus-based decision-making as opposed to voting-based decision-making. Generally, consensus-based decision-making in this study was based on a relational dynamic of high trust in an individual person and high distrust in the claims made by the person until such claims were verified. Homogenous professional relationships were more likely be aligned than heterogeneous ones. However, the latter type could achieve high relational effectiveness if both CEOs and Chairmen made their differences explicit and actively tried to make things work. As the Tulip CEO said, "The one that is against, before you say, 'Absolutely not,' but the fact that you have a veto forces the other four to get to a compromise with you. And so, you reach consensus" (D 20: Tulip CEO). The Protea CEO also mentioned the importance of actively seeking consensus:

> We can't at all times be saying how do we resort to a vote. We have to resort to something much more than that to say how do I trust that this body that I am apart of will collectively make decisions even though at times I am not feeling comfortable about it, but I have asked enough questions, enough questions have been asked of me to make sure that I am comfortable with the action that has been taken, even though it is not what I would have come up with first. It is actually in the better interest of the company. (D 29: Protea CEO)

The Hibiscus CEO also spoke on this topic:

> Almost always consensus. I think we try and build that consensus, it is very rare that we get to the point of taking a vote and having a split decision on which way we go. I am trying to think if it has ever happened, but it is extremely rare that we get to that position. So, no, I think generally we have got there by consensus. (D 23: Hibiscus CEO)

Finally, in a consensus-based decision-making organisation, rationality was a mechanism people used to interrogate personal interest in order to establish continuous alignment among members of management and between members of the board and of management. Whereas consensus-based decision-making processes were grounded in rationality, non-consensus-based decision-making processes were imbued with significant political and power dynamics. In all four case studies, trust and distrust were self-reinforcing

mechanisms that enabled governance actors to overcome various conflicts and types of organisational distress.

6.7. Cross-case conclusion

According to the empirical data, a relationship essentially grounded in interpersonal trust exposes the parties to affective attachment, which may impair sensemaking during periods of organisational distress. The empirical data indicate that while the relationship between a CEO and chairman is supposed to be based on trust, stewardship-based trust will expose governance actors to impaired sensemaking during periods of organisational distress. From the empirical data, I observed that board diversity was characterised by diversity in beliefs, characteristics, ideologies, decision-making frameworks, and theories. This wide range of diversity factors was related to the extent to which members of a diverse team were able to cooperate—which was necessary for a team to collectively and effectively perform team-based tasks. A dyadic pair including the chairman and CEO that was characterised by many diversity factors triggered elevated reliance on institution-based distrust mechanisms. Elevated reliance on distrust-based mechanism caused some governance actors to reflect on the role of respect among governance actors. When governance actors questioned respect, their abilities to cooperate were impaired. In turn, this impaired trustworthiness between them.

Observations from two of the four case studies indicated that institution-based distrust mechanisms can, combined with respect-based generative processes, reinforce team-based trust. Observations from one of the case studies indicated that excessive use of institution-based distrust mechanisms in distressed organisations can cause the distress to deepen, even when respect-based generative processes are triggered. Therefore, empirical data suggest that respect-based generative processes, coupled with shared sensemaking, may be related to cooperation, which is antecedent to perceived trustworthiness. I suggest that governance actors should be clear about how success (or failure) is determined and measured. As demonstrated through the case studies, such measures must be clear along a variety of factors, such as technical, social, relational, and financial ones. Governance actors should also be clear about which generative processes and mechanism they intend to use to regulate their relationships in order to pursue organisational outcomes. Empirical data indicated that governance actors invoked interpersonal distrust mechanisms such as

power (evidence by the dominance code) in addition to trust and distrust mechanisms. However, the predominant mechanisms governance actors invoked were trust (through codes such as engaging, decisive, resilience, flexibility, trustworthiness, humility) and distrust (through codes such as accountability, truth-telling, loneliness, chairman weakness). Misalignment on matters of trust and distrust was often related to negative board task-performance.

Through analysis of the results of the various categories that underpinned the two core themes (*top management team bricolage* and *relational construct potency)*, I identified *respect* and *need for verification* as candidates for abstraction through an abductive process (Ackroyd, 2010; Welch et al., 2011). From the empirical domain, governance actors described the construct of respect in different ways. Some expressed a need to be respected. Others emphasised the important of mutual respect. Still others underscored the importance of respectful engagement. To analyse empirical data that mentioned the concept of respect, I relied on scholarly distinctions between respect and respectful engagement (Carmeli et al., 2015) because my goal was to explore trust- and distrust-based behaviours that were more visible than trust- and distrust-based intentions. Likewise, most governance actors in these four case studies discussed Chairmen's needs to verify information provided by CEOs (need for verification). Because of professional (institutional) traditions that embedded verification as a crucial part of decision-making processes, these governance actors accepted the need for verification as a normal part of professional relationships among governance actors. To analyse empirical data related to the concept of need for verification, I relied on the scholarly notion of need for certainty (Acar-Burkay et al., 2014) because I suggest that governance actors' needs to verify information are driven by their desires to reduce uncertainty.
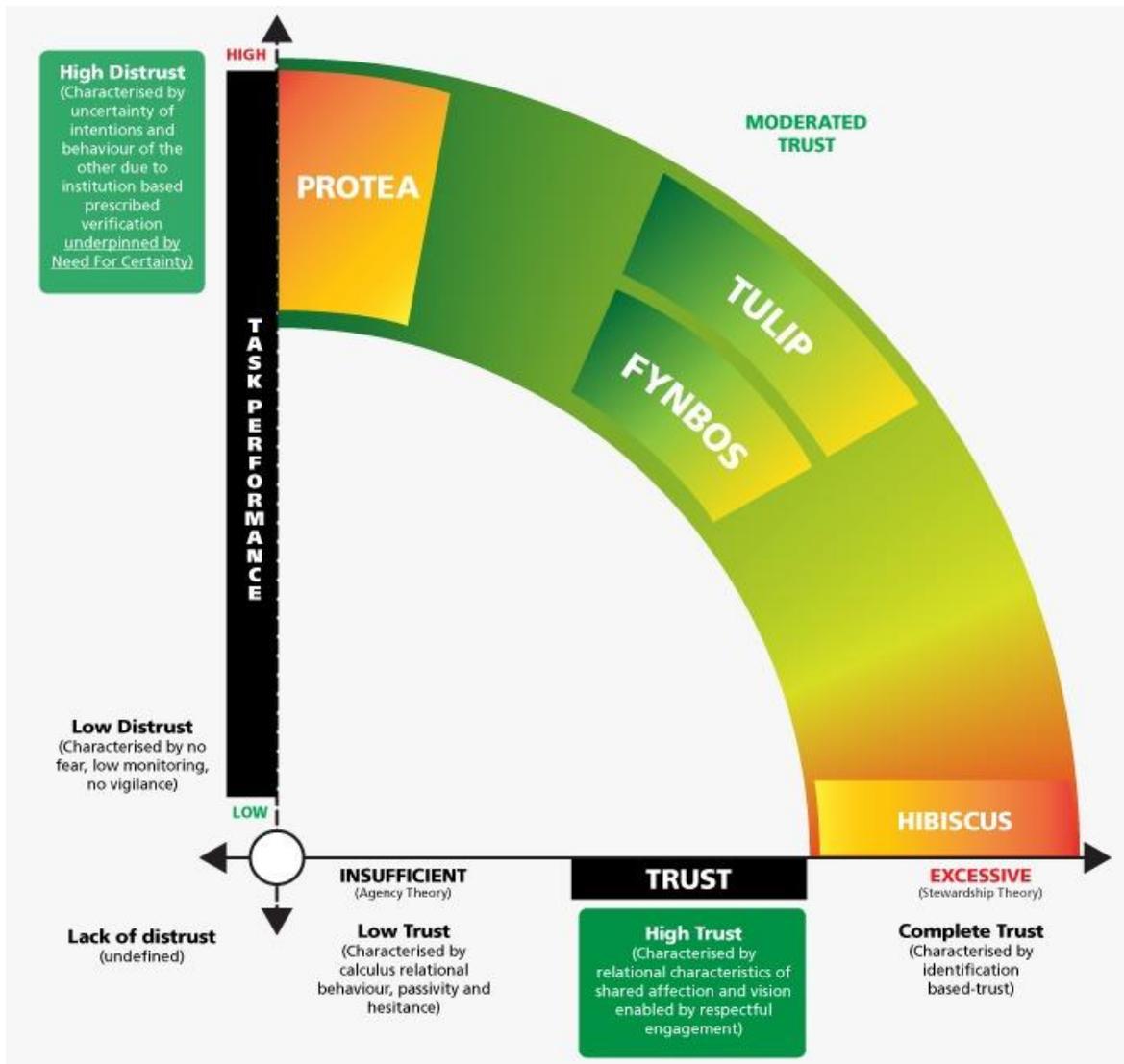
Figure 10. Moderated-trust generative processes. Adapted from Dietz, G., & Den Hartog, D. N. (2006). Measuring trust inside organisations. Personnel Review, 35(5), 557–588. doi:10.1108/00483480610682299; Dimoka, A. (2010). What does the brain tell us about trust and distrust? Evidence from a functional neuroimaging study. *MIS Quarterly*, 34(2), 373–396; Lewicki, R. J., McAllister, D. J., & Bies, R. J. (1998). Trust and distrust: New relationship and realities. *Academy of Management Review*, 23(3), 438–458. doi:10.5465/AMR.1998.926620; Neal, A., & Hesketh, B. (2009). Productivity in organizations. In N. Anderson, D. S. Ones, H. K. Sinangil, & C. Viswesvaran (Eds.), Handbook of industrial, work & organizational psychology (pp. 7–24). London, UK: Sage Publications.

Within the four case studies, respectful engagement tended to generate cooperation, which was related to trust-based relationships. Need for verification seemed to be governance

actors' logical response to institution-based distrust. Taken together, these results and my analysis provide support for the premise that trust and distrust are separate constructs (Lewicki et al., 1998). These results, as well as the study's associated premises, provide the foundation for my analytical engagement with theory in the next chapter.

Chapter 7: Discussion and conclusion

7.1.   Introduction

The structure of this final chapter is adapted from the Bhaskar (1978) critical-realist analysis model. In the chapter, I focus primarily on extending existing concepts and developing theory through a process of abduction. My purpose in using the critical-realist analysis structure is to facilitate the specification of generative processes that illuminate which and how trust and distrust mechanisms operate among governance actors. Once specified, I use such governance processes to form a foundation on which I begin developing theory that simultaneously incorporates trust and distrust. Informed by Blom and Moren's (2011) adaptation of Bhaskar's (1978) critical-realist analysis framework, I begin with descriptions of observations at an aggregate level.

7.2.   Describing observations

Empirical data from the within-case analysis (Chapter 5) and cross-case analysis (Chapter 6) consisted of 63.5 hours of transcribed interview data and archival material. My analysis of the data revealed the complex interplay between trust and distrust among board members and between members of the board and of management. This complex interplay began with similar, albeit different, codes within each case. These codes formed a basis on which I built common within-case analytical categories, which I then used to underpin the two core themes of this study: *top management team bricolage* and *relational construct potency*. In Chapter 6, I then elaborated these two core themes through further investigation of cross-case analytical categories that I created and based on grounded codes that occurred across all four case studies.

A crucial observation from my analysis of the results was that the *relational construct potency* theme bracketed the *top management team bricolage* theme: The trust and distrust dimensions of the former theme influenced the reframing of the variables derived from the categories of the latter theme to influence the outcome of the performance dimensions of the former theme. In other words, trust and distrust code groups and categories influence the efficacy of the chairman-CEO and CEO-CFO dyadic pairs—the relational dynamic between and among the dyadic pairs has a spill-over effect within and across board teams and management teams.

As I move from themes to abstract concepts in order to build theory, it is necessary to describe the observations from each case study that were relevant to specifying generative processes. In this section, I do this to establish a basis for "inferences to the conclusions about generative mechanisms that [cause]" (Blom & Moren, 2011, p. 67) an event of effective board task-performance. As I noted in Chapter 6 (see Figure 10), I distinguished three contexts to highlight when and how trust and distrust were triggered among governance actors to positive or negative effect.

First, I discuss the Protea case study. Protea exemplified a distressed organisation that provided empirical data on how a low-trust and high-distrust relationship between its chairman and CEO affected the organisation. In particular, their relationship contributed to an overall low-trust and high-distrust dynamic among board members, between the board and management, and among members of the top management team. This case study highlighted how the relationship between a chairman and a CEO can negatively affect the abilities of board members to develop relational-based trust relationships with a CEO while also retaining sufficient distance to effectively use institution-based distrust mechanisms (Fulmer & Gelfand, 2012)—an idea that has long been established through literature (Daily et al., 2003). This case study highlighted that relationships characterised by low trust and high distrust, when triggered in a distressed context, yield negative outcomes.

Second, I discuss the Hibiscus case. Hibiscus was contextually situated in a systemically distressed industry and provided empirical data on a high-trust and low-distrust relationship between members of the board and of management. Scholars have historically considered this dynamic to be characteristic of stewardship-based governance actors (J. H. Davis et al., 1997b; Hernandez, 2012; Muth & Donaldson, 1998). Literature has previously suggested that a board-CEO relationship characterised by high trust and low distrust is susceptible to the risk of CEO hubris (Geletkanycz & Sanders, 2012; Mellahi, 2005), which scholars have described as "exaggerated self-confidence" (Hayward & Hambrick, 1997, p. 103). While I did not observe CEO hubris in the Hibiscus case study in respect of the extent Chairman-CEO dyadic pair, the Chairman did describe a former CEO of Hibiscus who had initially enjoyed the support of the board but subsequently lost it owing his abuse of his political connectedness within a country where the boundary between politics and business. Therefore, from the empirical data in this study, I infer that context triggers CEO hubris, which is an inference supported by literature (Geletkanycz & Sanders, 2012; Hayward &

Hambrick, 1997; Mellahi, 2005). Two conclusions arise from this case study. First, consistent with stewardship theory, high trust and low distrust in the context of a healthy business environment will most likely trigger a generative mechanism that contributes to effective board task-performance. Second, and also consistent with stewardship theory and with empirical data from the Hibiscus case study, high trust and low distrust in contexts of organisational distress will most likely trigger a generative mechanism such as hubris, which will cause ineffective board task-performance.

Third, I discuss the Fynbos and Tulip case studies. They offered empirical data on a high-trust and high-distrust relationship between a chairman and CEO, a relationship scholars have described as sacred (A. P. Kakabadse et al., 2006), within specifically distressed organisations. This type of relationship between the chairman and CEO at both organisations contributed to healthy relationships among board members, between the board and management, and among members of the management. It could be characterised as a relationship founded on high relational-based trust and high institution-based distrust, which supports scholarly arguments for considering trust in agency-based relationships (Cuevas-Rodríguez et al., 2012; Pye & Pettigrew, 2005). My empirical observations of the simultaneous operation of trust and distrust, as described by the governance participants in these two case studies, contrasted with the theoretically derived opinion of some scholars that institution-based distrust, based on agency theory's need for control and monitoring functions, discourages the development of relational-based trust between governance actors (Sundaramurthy & Lewis, 2003b; Westphal & Gulati, 1999). Therefore, these case studies indicated that high trust and high distrust, when triggered simultaneously during a distressed organisational context, contribute to effective board task-performance.

7.3.   Dividing and sorting

Through the analysis of empirical data, codes, within-case categories, and cross-case categories, I derived core themes related to generative processes and elaborated them in Chapter 5 and Chapter 6. In this section, I clarify my target for generative processes—the board and management, which are represented by the chairman and the CEO—and discuss antecedent constructs (objects). I engage the generative powers and liabilities of trust and of distrust at both aggregate and granular levels. At the lower level, through a process of

dividing and sorting, I isolated and assessed antecedent constructs that I found to be salient in the specification of trust and distrust mechanisms in order to establish their powers and liabilities. In doing so, I found three antecedent constructs to be particularly salient: respect, truth, and integrity. Below, I discuss the objects of generative processes, the generative powers and liabilities of trust and of distrust, and the three antecedent constructs I identified.

7.3.1.   *Objects of generative processes*

In the process of establishing how trust and distrust influence effective board task-performance, my unit of analysis was an organisation's board as a whole, but my unit of observation was the relationship between its chairman and CEO, mediated by the role of its CFO. This difference between units of analysis and of observation was due to a well-known difficulty related to accessing directors (Leblanc, 2005; Leblanc & Schwartz, 2007; Lewellyn & Muller-Kahle, 2012a). I resolved this difficulty by analysing relationships between the chairman, CEO, and CFO as proxies for the larger board teams and management teams (Whetten, 1989).

The dyadic relationship between a chairman and CEO is flexible and results in different approaches to board leadership. For instance, a board could be CEO-led, chairman-led, or subject to shared leadership (Morais et al., 2018). In the current study, each of these approaches led to different outcomes as business contexts evolved and invoked unique combinations of trust and of distrust. I first discuss the theoretical implications of the empirical data analysed in this study, then I discuss how trust and distrust influence the task-effectiveness of the chairman-CEO dyadic pair.

7.3.2.   *The generative powers and liabilities of trust and of distrust in corporate-governance literature*

Agency theory posits the board as an institutional mechanism to control and monitor members of management (Gunia et al., 2011) to ensure that those members operate in the best interests of shareholders (Eisenhardt, 1989a; Fama & Jensen, 1983c; Jensen & Meckling, 1976; Zucker, 1986). This has led some scholars to characterise the relationship between the board and management as adversarial and atomistic (G. F. Davis, 1991, 2005). In addition, agency theory encourages the idea of board members distrusting members of management in order to facilitate institutional trust (i.e., trust in an organisation) (Bachmann,

2001; Maguire & Phillips, 2008; McKnight et al., 1998). The implication is that members of the board and of management cannot be locked in an intra-team relationship. The corollary implication is that board task-performance is constrained by the absence of team trust within boards that include managers and non-managers. Given that team trust and team task-performance are positively associated (De Jong, Dirks, & Jansen, 2016; Fulmer & Gelfand, 2012), an agency-theory perspective does not bode well for team task-effectiveness.

According to stewardship theory, members of management and of the board are assumed to be aligned and to act in the best interest of the company (J. H. Davis et al., 1997b; Hernandez, 2012). This implies that professional relationships in a board that consists of managers and non-managers are based on trust (Pye & Pettigrew, 2005). Therefore, team trust is critical for the operationalisation of stewardship theory. While this may suggest that a stewardship-based board-leadership style should result in better board task-performance, it does explain the persistence of corporate malfeasance, which erodes institutional trust (Crane, 2018).

Empirical case study data from the current study indicate that combining the prescripts of sceptical agency theory and optimistic stewardship theory will yield better results for those who wish to improve board task-performance. Accordingly, in this study, and as illustrated on Figure 11, I combined trust and distrust literature to propose that scholars ought to consider stewardship-based team trust and agency-based institutionalised distrust as equal contributors to facilitating effective board task-performance. This type of task-performance represents an intermediate step between board structure and company performance (Huse, 2007), which in turn precedes institutional trust.
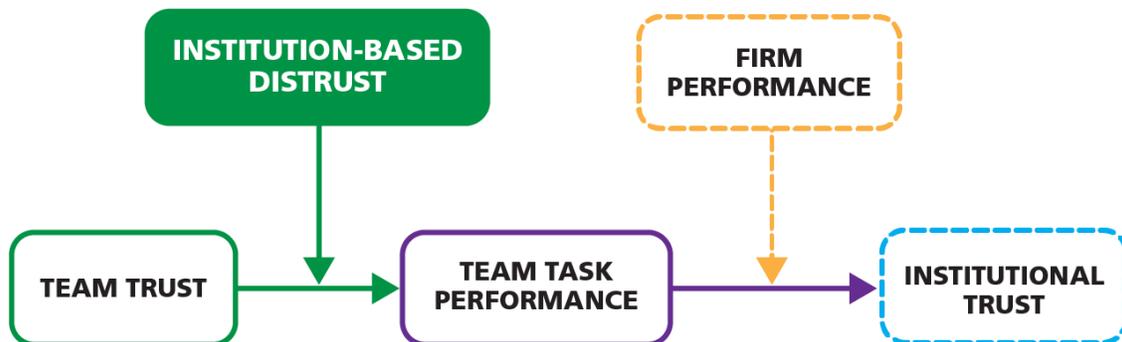

Figure 11. Theoretical conceptual model. Author is the source.

Stakeholders are vulnerable to the decisions of the board and of management. When measured by firm performance, an organisation led by an effective board should be more sustainable than one led by an ineffective board (Gao & Bansal, 2013). Sustainable organisations trigger a form of institutional trust called *stakeholder trust*, which is the willingness of stakeholders to be vulnerable to the decisions and actions of an organisation's top leadership structure (Crane, 2018). Stakeholder trust is reflected in many ways, including through increased customer support, elevated employee engagement, sustainable profit, and market value growth. Stakeholder trust resonates with the views espoused in stakeholder-agency theory (C. W. L. Hill & Jones, 1992). As such, the effective utilisation of trust and of distrust in a boardroom should lead to improved board task-performance, which should then contribute to creating stakeholder trust.

7.3.3. *Generative processes: respectful engagement and need for certainty*

The division and sorting of concepts from the previous section was the first step in my process to replace data with abstract concepts in order to reveal how trust- and distrust-based generative mechanisms operate within corporate governance. Based on the empirical data I sorted and divided, I identified respect as an object that was present in all four case studies. Governance actors discussed respect in three different ways: being respected, having mutual respect, and exhibiting respectful behaviour. For example, at Fynbos, governance actors associated being respected with having mutual respect. However, across all case studies, governance actors discussed the idea of respectful engagement regardless of the levels of trust and of distrust present within their organisations. Therefore, I conclude that respectful engagement was a powerful notion for governance actors in this study, and it involved less liability for them, since it was present in both functional and dysfunctional relationships. My study's finding about the strength of respectful engagement resonated with literature that has suggested that respectful engagement is necessary for cooperative behaviour regardless of the relational status of the parties involved (Carmeli et al., 2015).

I abstracted this study's empirical data on respectful engagement through a patterned process to specify how it triggers cooperation. Respectful engagement among board members encouraged the uncovering of common values that generated cooperative

behaviours. In turn, cooperation created opportunities for interaction that enabled shared sensemaking. Shared sensemaking then contributed to increased respectful engagement. The generative process of respectful engagement is reflected in Figure 12.
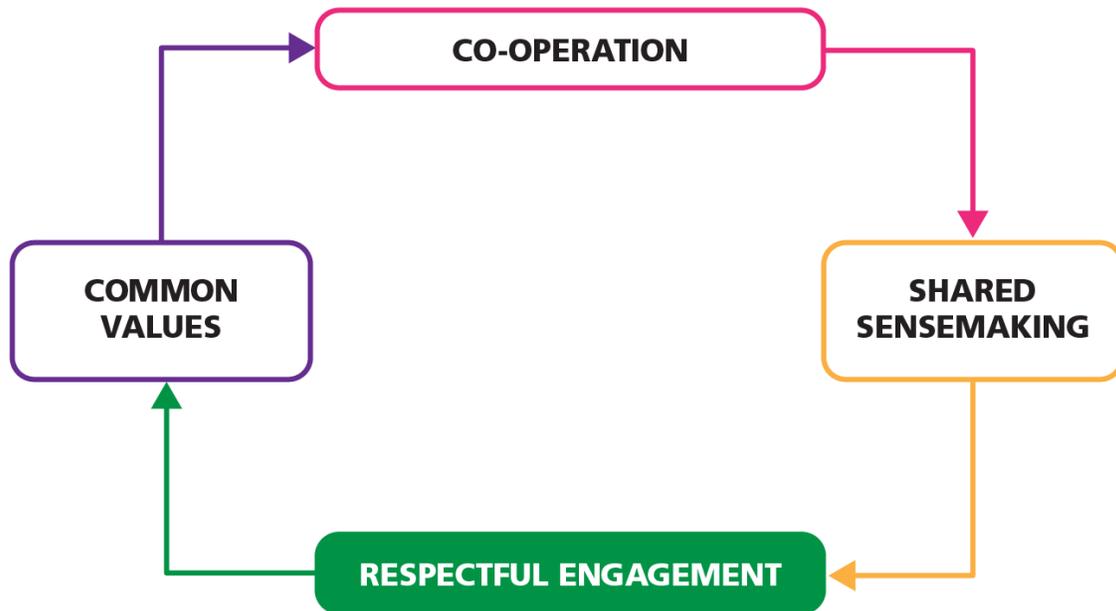
Figure 12. Trust-based generative process: respectful engagement. Author is the source.

Likewise, as I indicated in the previous chapter, participants' need for verification was an institution-based distrust mechanism.   According to literature in the field, a need for verification indicates a need for control or a need for certainty (Acar-Burkay et al., 2014; Schumpe et al., 2017).   Therefore, the need for certainty is an important mechanism because it causes the need for truth-telling (Mayo, 2015; Patterson, 2009)—a process through which people build confidence.   The process of truth-telling, which positively contributes to confidence-building, causes alignment of sensemaking, and this is also a factor that is common to the generative process of respectful engagement depicted in Figure 12. The resulting, self-reinforcing need for certainty generative process is depicted in Figure 13.
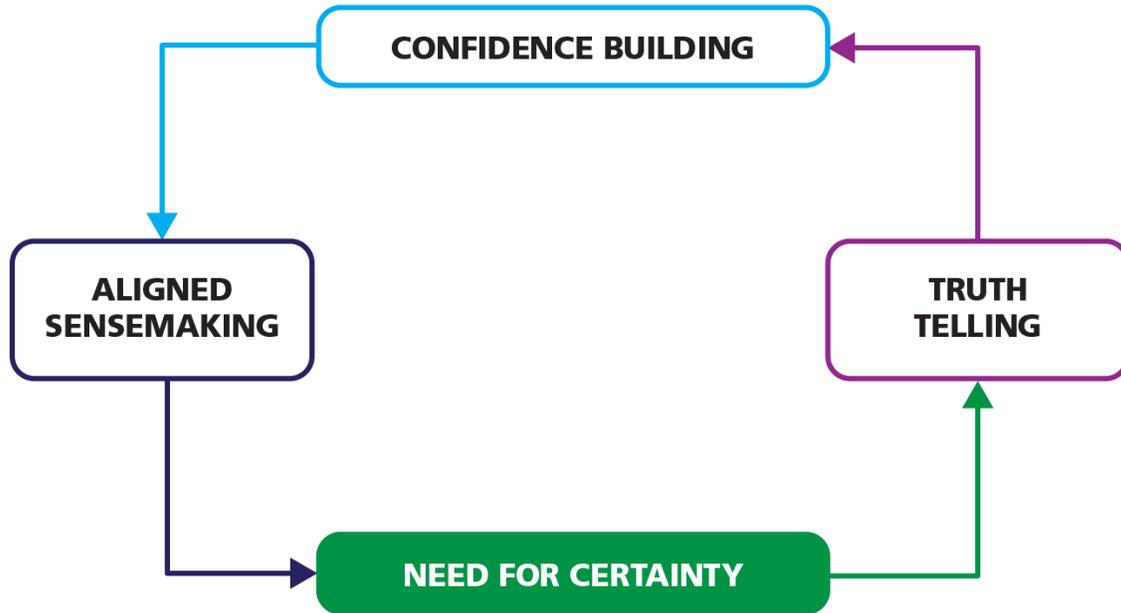
Figure 13. Distrust-based generative process: need for certainty. Author is the source.

This process of replacing data with conceptual abstractions during analysis is an abductive one (Ackroyd, 2010; Danermark et al., 2001). I observed that the underlying structure of the moderated-trust theory consisted of certain concepts: a propensity to trust, trustworthy actions and intentions, team diversity, a need for certainty, and team trust and team distrust (Colquitt et al., 2007). Empirically, I observed how these underlying concepts interacted in ways that could causally result in positive or in negative board task-performance.

7.4.   Theorising: abstracting concepts from empirical data

7.4.1.   *Propensity to trust and trustworthiness*

Following the strategy of other trust scholars, I first consider trust propensity before turning to trustworthiness. Both are components of the higher-order construct of trust because "propensity to trust and trustworthiness have been [the] two most mentioned and measured components of trust" (Costa & Anderson, 2011, p. 122). Trust propensity and trustworthiness are important antecedents to trust. An improved understanding of the antecedents of trust strengthens the operationalisation and utility of trust in corporate governance (McKnight et al., 1998). In this study, I have contributed to improving this

understanding by focussing on how organisational context affects these important antecedents of trust.

Literature on *trust spirals,* a concept first introduced by Dale Zand (1972), has suggested that behaviours at the inception of a relationship influence the development of trust among members of a group (Ferguson & Peterson, 2015). Zand's (1972) work focussed on the concept of trust propensity in order to facilitate a deeper understanding of trust as a mechanism. Trust propensity has been defined as a "stable trait reflecting the trustor's generalized belief that others can be trusted" (Baer, Matta, Kim, Welsh, & Garud, 2018, p. 4). Typically, it is operable prior to the social exchange between a trustor and trustee to establish the trustee's trustworthiness based on actual experience. The process of establishing trustworthiness is also influenced by the trust propensity of the trustor.

According to Ferguson and Peterson (2015) team members who demonstrate low levels of trust at the inception of their relationships have a tendency to "conceal or distort information or resist each other's influence attempts, and/or minimize their vulnerability to one another . . . ultimately [affecting] the long-term viability of the group by further reducing trust" (p. 1024). Therefore, an upward or downward spiral of trust is strongly related to a trustor's propensity to trust, which some scholars have argued is established early in life and is relatively stable over time (Colquitt et al., 2007).

My analysis of the four case studies strongly supports the argument that a governance actor's propensity to trust at early stages of his or her interactions with others influences his or her development of trust (perceptions of trustworthiness) and resultant levels of trust within relationships. For instance, initial interactions between governance actors at Hibiscus and Tulip differed markedly from those at Protea and Fynbos. In the former pair, governance actors were introduced to each other during periods of natural organisational growth. In the expansive contexts of these two case studies, governance actors were able to develop histories of operational and strategic experiences that reinforced high propensities to trust one another. In the latter pair, however, governance actors were introduced to each other during periods of organisational decline. In their constraining contexts, governance actors were enjoined to be cautious and to be sceptical about operational and strategic actions among board members and between members of the board and management. The perspective that a propensity to trust is dynamic, which the results of this study support, is an emergent counterpoint to the long-held view that trust propensity is a stable personal

attribute (Baer et al., 2018). Therefore, the initial context at Protea and Fynbos reinforced governance actors' tendencies to have a low propensity to trust one another. Following this discussion about trust propensity as a factor, I suggest the first proposition:

Proposition 1: *Operating conditions at the early stages of interactions among governance actors are causally linked to the trust propensity of the trustor and the trustee group: Expansive conditions encourage a high propensity to trust, but constraining conditions lead to a low propensity to trust.*

The trustworthiness of a target of trust is another factor that inspires trust. According to trust literature, trustworthiness is characterised by the ability, competence, and character of the trustee (Colquitt et al., 2007). In turn, scholars have posited that character consists of benevolence (openness, loyalty, or supportiveness) and integrity (justice, fairness, consistency, and promise fulfilment) (Mayer et al., 1995). While trustworthiness includes ability, benevolence, and integrity (Colquitt et al., 2007), these components are not equal across all work-related contexts of trust-based relationships. Some scholars have assumed a universal, acontextual approach to trust and have hypothesised that trustworthiness is "positively related to trust controlling for ability, benevolence and integrity" (Colquitt et al., 2007, p. 911). In the corporate-governance domain, ability and benevolence are important, but integrity is more important because directors primarily monitor, control, advise, and coach others (Machold & Farquhar, 2013). The importance of integrity is even more pronounced in corporate-governance domains characterised by goal conflict or by organisational distress. In the latter context, negative conditions and experiences influence sensemaking (Korsgaard et al., 2002). Therefore, negative conditions negatively influence general perceptions of trustworthiness. Following this discussion of trustworthiness as a factor, I suggest the second proposition:

Proposition 2: *An understanding of trustworthiness that privileges integrity over ability and benevolence is positively associated with trust, particularly in distressed organisations.*

7.4.2. *Team trust and task-performance*

In this study, I have strengthened the conceptualisation of team trust proposed by Serva et al. (2005) by defining team trust as the collective beliefs of a group of people about the willingness of their members to be vulnerable to the intentions and behaviours of other

members. These beliefs are predicated on group members' propensities to trust, which are dynamic and moderated by context, as opposed to stable—as some scholars have theorised for members of a short-term team or an ongoing team (De Jong & Elfring, 2010).

A propensity to trust and perceptions of trustworthiness are functions of interactional histories that provide "information useful to assess dispositions, intentions, and motives of others . . . [such that] team members' judgements about others' trustworthiness is anchored at least in part on their own dispositions and on their prior experiences of others' behaviour" (Costa & Anderson, 2011, p. 123). Empirical data from all four case studies supported the view that a propensity to trust and perceptions of trustworthiness are functions of interactional histories among team members. The data corroborated the shared-characteristic and shared-beliefs antecedents, which underpin the generative processes of respectful engagement and need for certainty that I discussed earlier in the chapter.

Scholars have argued that team trust is positively associated with team task-performance (De Jong, Dirks, & Jansen, 2016). The case study data supported the assertion that team trust is positively associated with task performance. Consider the case of Tulip, a bank based in the Netherlands, where task performance was at its most effective when team trust was at its strongest. However, task performance was constrained when team trust was at its weakest. Also consider the case of Hibiscus, a Zimbabwe-based bank, where board task-performance was consistently effective, despite country-level exigencies that decimated its balance sheet and those of its clients. Nevertheless, Hibiscus was able to rebound as one of the top three financial institutions in Zimbabwe.

Some scholars have said that team trust is positively associated with "superior levels of team performance" (Costa & Anderson, 2011, p. 120). This is a widely held view within literature (Braun, Peus, Weisweiler, & Frey, 2013). According to De Jong et al. (2016), the reason scholars advance this view is because it helps "team members to suspend uncertainty about and vulnerability toward their teammates as if this uncertainty and uncertainty were favourably resolved . . . [which] enables team members to work together more efficiently and effectively" (p. 1136). Following this argument about trust, I suggest a third proposition:

Proposition 3: *Team trust within boardrooms is positively associated with effective board task-performance.*

7.4.3. *Team diversity*

While trust propensity and trustworthiness are the most prominent antecedents of trust that I have discussed in this chapter, others have been identified within literature. For example, scholars have also identified in-group categorisation and stereotyping, from social categorisation theory, as interpersonal trust antecedents that are pertinent to team trust (McKnight et al., 1998). In this section, I discuss three other antecedents that are more directly related to team trust.

First, in a team characterised by diversity, shared conservative beliefs have been suggested by scholars as an antecedent to team trust (Chattopadhyay, 2003). In the absence of shared beliefs, an under-socialised and diverse team will experience intergroup conflict, which will weaken team trust (S. Harvey et al., 2017; Tajhel & Turner, 1979). Second, shared characteristics have been identified by scholars as antecedent to team trust (Fulmer & Gelfand, 2012). Third, organisational climate has been suggested by scholars as antecedent to team trust (Fulmer & Gelfand, 2012). This latter antecedent is similar to the notion of organisational context, which I discuss in this study. Literature on this topic indicates that team trust is a more complex construct than individual-level trust.

Literature on team diversity has also addressed the effects of trust on team performance. Two types of diverse teams are often discussed. First, scholars discuss short-term teams that are formed and disbanded at the commencement and conclusion of a specific task. Second, scholars discuss ongoing teams that operate over long periods and address multiple tasks (De Jong & Elfring, 2010). While previous research has indicated that boards behave like teams (Tuggle, Schnatterly, & Johnson, 2010), this study focussed on boards of directors who represent teams of a special type: They contain characteristics of both short-term and ongoing teams. Therefore, boards in this study represent a type of team that follows a different team-development path than teams that have been explored within team diversity literature.

Boards of directors are like short-term teams in that they meet infrequently to perform tasks related to the business that brought them together, and they typically disband until their next interaction, which may be quarterly for large companies or annually for small ones. However, directors are typically appointed for a prolonged period—at least three years on outside boards and typically an average of nine years on inside boards (Wertheim et al.,

2016). As such, over time, their trust-development paths tend to mimic those of ongoing teams, including their concomitant social prejudices (Main & Gregory-Smith, 2018). Therefore, I suggest that trust among directors on a board team is distinct from trust within typical short-term teams and ongoing teams.

Team diversity may be studied from the perspective of trait diversity using surface-level characteristics such as age and racial demographics (van Knippenberg & Mell, 2016), psychological-level characteristics such as a need certainty (Acar-Burkay et al., 2014), or state-level characteristics such as social networks (D. R. Carter, Dechurch, & Braun, 2015). From a surface-level trait diversity perspective, heterogeneous teams are negatively associated with team performance because surface-level diversity tends to focus on superficial, structural prescripts which have a profound effect on diversity at a process level (van Knippenberg & Mell, 2016).

This perspective is corroborated through a finding within trust literature: Surface-level team diversity is negatively associated with team trust (Fulmer & Gelfand, 2012). Scholars have suggested this happens because such diversity typically occurs among team members who have low-trust propensities because of their absence of shared beliefs (Chattopadhyay, 2003) and characteristics (Fulmer & Gelfand, 2012), coupled with a climate that discourages cooperation and collaboration (Fulmer & Gelfand, 2012; Gulati et al., 2012; Lau & Liden, 2008; Stevens et al., 2005). Ultimately, a team with superficial, surface-level diversity is burdened with trust asymmetry, which is negatively associated with team performance (De Jong & Dirks, 2012).

From the perspective of state-level diversity, social network theory indicates that the "degree to which leaders are central and bridge structural holes in internal group social networks positively predicts group and team performance" (D. R. Carter, Dechurch, & Braun, 2015, p. 605). Scholars have operationalised the concepts of *centrality* and *bridging* in social network theory through the effect of the strength or weakness of social ties and have suggested that a director's social network strength or weakness indicates the extent to which the director is trusted by a team of directors in a specific network (De Meo, Ferrara, Rosaci, & Sarné, 2015). Therefore, the ability of a director to influence team trust is informed by the strength of the ties between the director and the rest of the board and management team.

Scholars within social network theory have introduced a patterned approach to the consideration of trust propensity and trustworthiness and have suggested that directors with strong ties to a team of directors in a company will have a higher propensity to trust and will exhibit trustworthy intentions and actions (Bachmann, 2011; Fulmer & Gelfand, 2012). Conversely, directors with weak ties will invariably have a lower propensity to trust and may not be perceived as trustworthy. According to social network literature, a propensity to trust and trustworthiness are influenced by the strength of social ties—which is a proxy for team diversity.

My analysis of the four case studies indicated that homogenous board teams had higher trust propensity and perceived trustworthiness than heterogeneous board teams. In other words, the greater the diversity among team members, the lower the trust propensity and perceived trustworthiness within the team. This dynamic leads to a downward trust spiral (Ferguson & Peterson, 2015). Within the case studies, team diversity was most stark at Protea and included differences across demography and professional background, both of which are superficial-level diversity attributes. Although team diversity existed within the other three case studies, it was minimal when compared with Protea.

While context diversity influenced trust propensity and perception of trustworthiness, I observed that team diversity had a higher impact on low propensity to trust. Consider the cases of Protea and Fynbos, wherein governance actors were initially introduced during periods of distress. However, in the case of Fynbos, the governance actors were demographically and professionally more similar than the governance actors at Protea, and their social networks were also more alike—they had shared characteristics and potential shared beliefs. Team diversity at Protea was more pronounced and therefore led to greater difficulties in sensemaking among the governance actors, which precipitated a further downward trust spiral. Following from the above discussion on team diversity, I suggest a fourth proposition:

Proposition 4: *Team diversity has a more pronounced effect on the propensity to trust and perception of trustworthiness than operating conditions have, and therefore, elevated board team diversity is negatively related to board team trust.*

7.4.4.   *Distrust*

According to trust literature, team trust is positively associated with team task-performance (De Jong, Dirks, & Jansen, 2016), but board team trust operates in an institutional environment that discourages trust and explicitly encourages distrust between boards and members of management. I noted in earlier chapters that this study agrees with the view that trust and distrust are separate and complementary constructs (Dimoka, 2010; Lewicki et al., 1998). This view, that "trust and distrust are not simple contraries . . . [and that] the absence of trust need not activate a state of distrust or vice versa . . . [because] there may be many in-between cases where individuals are neither fully trusting nor fully distrusting" (Mayo, 2015, p. 288), was supported through the within-case and cross-case analyses. Therefore, I argue that team trust cannot be understood without a review of its complement—distrust.

Having argued in support for trust and distrust as separate constructs, Mayo (2015) also argued that whereas a trust mindset activates behaviour congruent with an intended message, a distrust mindset triggers behaviour incongruent with an intended message and thereby leads to increased scrutiny of the intended message.   Within the corporate-governance domain, I suggest that a distrust mindset activates behaviour that leads to increased scepticism and intense fiduciary activity, which should lead to superior board task-performance.

Consistent with agency theory (Jensen & Meckling, 1976), boards are required to have distrusting board mindsets towards management.   However, in corporate approaches influenced by stewardship theory (J. H. Davis et al., 1997b; Hernandez, 2012), a distrusting board mindset is not encouraged, because scholars have assumed that the interests of management are aligned with those of shareholders. While the stewardship approach to a distrust-based mindset would expose a board to managerial opportunism, an interpersonal and inter-team relationship dominated by a distrust-based mindset would contribute to an unhealthy relationship at the top of the organisation, which would then lead to weak team trust and result in poor team task-performance. To overcome this dilemma, I propose that the relationship of the top management team in an organisation should be based on high team trust and high institutional distrust, which means that while individuals within and across teams must trust each other at an interpersonal level, they must operate through

continuous scrutiny—consistent with the institutional demands of the corporate-governance field.

Case-study data revealed that effective task-performance within distressed organisations was measured by the extent to which such organisations successfully navigated their distress situations. The case study companies that illustrated team trust successfully navigated their distress situations. The case studies where team trust was absent had "team members . . . [engaging] in defensive actions aimed at protecting themselves against possible by others" (De Jong, Dirks, & Gillespie, 2016, p. 1136). However, success was never occasioned by team trust alone; it also required an affective application of practices invoked by team distrust. These observations are consist with the view that team trust has curvilinear effects and that too little or too much trust is negatively associated with team trust and with team task-performance (McNulty et al., 2005). Therefore, an optimum amount of trust is necessary to ensure effective team task-performance. Following the above argument on trust and distrust, I suggest a fifth proposition:

Proposition 5: *High team trust, moderated by high institution-based distrust, is causally linked to effective board task-performance.*

7.4.5. *Need for certainty*

Need for certainty is a psychological-level diversity attribute that distinguishes one individual from another and informs how individuals make sense of their worlds (Acar-Burkay et al., 2014; van Knippenberg & Mell, 2016). I identified need for certainty as a special kind of diversity attribute that should be singled out because scholars have noted that it influences the uncertainty effects related to team trust. From the literature review, I determined that the need for certainty influences team trust because once a distrust mindset is "activated by cues processed consciously or unconsciously . . . it affects the way one thinks, regardless of the specific source activating this mind-set and regardless of the specific task at hand being related or not the trust issue" (Mayo, 2015, p. 288).

Given that team trust is intended to resolve the consequences of relationship uncertainty, empirical data from the case studies indicated support for the concept that some individuals have a high need for certainty, while others have a low need for certainty. While individuals with a high need for certainty invoked historical relational experiences to deal with

uncertainty, those with a low need for certainty invoked prospective relational experiences to deal with uncertainty, as was the case in the South African-based Hibiscus and the Netherlands-based Tulip Bank. This insight contributed to a different understanding of team trust. The case studies suggested that teams comprised of individuals who had a low need for certainty ended up moderating the low team trust, which was positively related to team task-performance, because members with a low need for certainty were willing to give others the benefit of the doubt. I therefore deductively inferred that diverse teams with low team trust can also perform team tasks adequately, provided that the diverse team is comprised primarily of individuals with a low need for certainty. Following this discussion on need for certainty, I suggest a sixth proposition:

Proposition 6: *Low team trust, moderated by a low need for certainty, is positively associated with moderate team task-performance.*

7.4.1. *Team task-performance*

Board task-performance contributes to effective and efficient decision-making, which leads to the positive performance of firms (Melkumov, Breit, & Khoreva, 2015). Based on work by Huse (2005), task performance is positively related to value creation. Because scholars have described board tasks in a variety of ways, I reviewed literature from multiple sources, four of which I discuss here. In the first, board task-performance was characterised as including board output control tasks, internal control and decision-support tasks, networking and lobbying, collaboration, and mentoring (Huse, 2007). In the second study, six board tasks were identified, and they related to "service (advice, networking, and strategic participation) and control (behavioural, output and strategic control)" (Minichilli et al., 2009, p. 56). In the third study, from a multi-theoretical perspective, board tasks were described according to the roles of service, strategy, coordination, monitoring, and control (Machold & Farquhar, 2013). In the fourth study, board tasks were said to include "top management monitoring, financial monitoring, and strategic evaluation") (Melkumov et al., 2015).

According to literature on board task-performance, there is no doubt that boards of directors are engaged in strategic tasks that ensure organisational performance. However, scholars have suggested that directors tend to overemphasise their monitoring and controlling functions and underemphasise their countless other functions (Machold & Farquhar, 2013). This leads to some boards micromanaging their managers (Useem & Zelleke, 2006), which

results in managers exhibiting negative agentic behaviour and sacrificing their honesty and integrity (Jensen, 2004). Consequently, consistent with the views that board monitoring and board task-performance are negatively related (Pugliese et al., 2014) and that monitoring and trust are negatively related (Gargiulo & Ertug, 2006), poor task-performance between directors (non-managers) and managers is a logical outcome and leads to negative organisational performance. Conversely, I suggest that effective team trust, as explained by moderated trust, would contribute to a more comprehensive and appropriate focus on various board tasks and would lead to positive board task-performance outcomes and to positive organisational performance.

The positive organisational outcomes would contribute to reversing the decline in stakeholder trust in organisations (Reis et al., 2018) a view supported by corporate governance scholars that draw a link between corporate governance failure and decline in stakeholder trust (Mellahi, 2005; Pirson & Malhorta, 2011: Pirson et al., 2017) as well as trust scholars encourage a stakeholder orientation (Dietz & Den Hartog, 2006) informed by the intersection of interaction-based and institution-based trust mechanisms (Bachmann, 2001). Therefore, I include a theorised proposition on team task-performance and organisational performance in addition to the other six propositions, which focussed on the interaction of theory and practice. Following this discussion on team task-performance, I suggest a seventh proposition:

Proposition 7: *Board task-performance, moderated by firm-performance, is positively associated with stakeholder trust.*

7.4.2. *Moderated-trust mechanism*

The moderated-trust generative mechanism consists of institution-based distrust, encouraged by agency theory, and team trust, articulated by stewardship theory. Stakeholder theory introduces the concept of stakeholder trust, which is the willingness of a stakeholder to be vulnerable to a business (Pirson & Malhotra, 2011). Stakeholder trust is a generative mechanism that operates at an extra-organisational level, which is a level higher than intra-organisational team trust and institution-based distrust, which are the focal generative mechanisms in this study. The extent to which moderated trust contributes to effective board task-performance contributes, in turn, to the strength of stakeholder trust. Therefore, strengthening stakeholder trust underscores the importance of the moderated-

trust generative mechanism, which combines trust and distrust literature in a manner that answers several scholars' calls to open the black box of corporate-governance processes (Huse, 2005; Leblanc & Schwartz, 2007; Roberts, 2001b).

7.5.   Concretisation: from propositions to theory

The findings I analysed in the preceding two chapters and discussed in this one, combined with the resultant propositions, suggest that board task-performance is a function of moderated team trust, which consists of high team trust moderated by high institutional distrust (Fulmer & Gelfand, 2012; Lumineau, 2017) and a low need for certainty (Acar-Burkay et al., 2014). As moderators, team distrust and a need for certainty "serve to explain the differential effects of intra-team trust, by providing insight into the conditions under which it matters most (or least) to team [task-]performance (e.g. low or high task independence)" (De Jong et al., 2016, p. 1135).

Regarding process, I answered this study's supplementary questions earlier in this chapter and in my discussion of the results in Chapter 5 and Chapter 6. In Chapter 6, I provided a conceptual response grounded in empirical data (see Figure 10). I indicated that the events at Protea were typical of agency-theory-based relational dynamics with negative board task-performance outcomes. I also indicated that the events at Hibiscus modelled stewardship-theory relational dynamics, which tend to expose companies to the risk of hubris. The events at Fynbos and Tulip exemplified the high-trust and high-distrust relationship dynamic that I hypothesised using the concept of moderated trust.

Altogether, the insights I generated, through my analysis of the empirical data and through my abstraction from data to concepts, answered this study's primary question. I did this using an abductive process, which revealed the specified generative processes of respectful engagement and need for certainty (see Figure 14). The generative processes set the foundation for using empirical data and theoretical arguments to derive seven propositions that clarified the *mechanisms* of high interpersonal trust and high institution-based distrust that operate together to cause *events* of effective board task-performance.
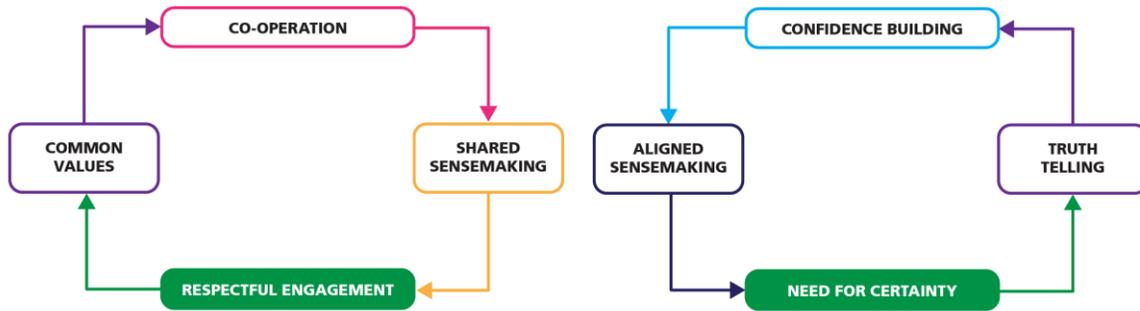
Figure 14. Resultant generative processes. Author is the source.

Regarding theory, I sought to explicitly insert trust as a primary consideration within discussions of theories that tend to discount trust (agency theory) (Aguilera, 2005a; Cuevas-Rodríguez et al., 2012), and I sought to engage distrust within theories that tend to overemphasise trust (stewardship theory) (J. H. Davis et al., 1997a; Muth & Donaldson, 1998). In doing so, I used a critical-realism perspective within the corporate-governance field (Crow, Lockhart, & Lewis, 2013; Heugens & Otten, 2007). The corporate-governance field has most often been approached through a positivist (Bansal, 2013), under-socialised view of humanity, under the auspices of agency theory, or punctuated with an over-socialised view of humanity under the guise of stewardship theory (Gargiulo & Ertug, 2006; M. Granovetter, 1985). In this study, I sought to encourage a realistic view of trust and of distrust by investigating them in tandem—thereby contributing to shifting the focus of the discipline away from an oversimplified view of trust and of distrust in the corporate-governance domain. I achieved this realistic view through explicitly using multiple perspectives on distrust and trust (Bachmann, 2011; Colquitt et al., 2007; Deakin, 2006; James, 2014; Lewicki et al., 1998) within corporate governance.

In this study, I also focussed on the usual business context. Within corporate-governance scholarship, the constructs of trust and of distrust have been explored most often in healthy business contexts (Lumineau, 2017; Schoorman et al., 2007). Sometimes, they have been studied when organisations have failed entirely (Gillespie & Dietz, 2009; Mishra, 1996; Sitkin & Roth, 1993; Tihanyi et al., 2015). Rarely have they been studied *during* periods of distress (Fortune & Mitchell, 2012).

I depict the findings and propositions of this study in a conceptual model (see Figure 15). These findings resonate with the view that team trust (which is isomorphic to, and

conceptually higher than, interpersonal trust) within the corporate-governance domain is positively associated with team task-performance (De Jong, Dirks, & Jansen, 2016; Dirks, Lewicki, & Zaheer, 2009), provided that team trust is moderated by institution-based distrust. This conceptual model represents the theory of moderated-trust governance that I have introduced in this study. It illustrates how moderated trust facilitates team task-performance and how, I have theoretically hypothesised, task-performance is positively related to institutional trust, which is distinct from institution-based trust. In Figure 15, I indicate that the generative mechanism of high team trust, moderated by high institution-based distrust and a low need for certainty, has a positive causal relationship with team task-performance. Task-performance, when moderated by firm performance, influences the extent to which governance actors have institutional trust for an organisation.
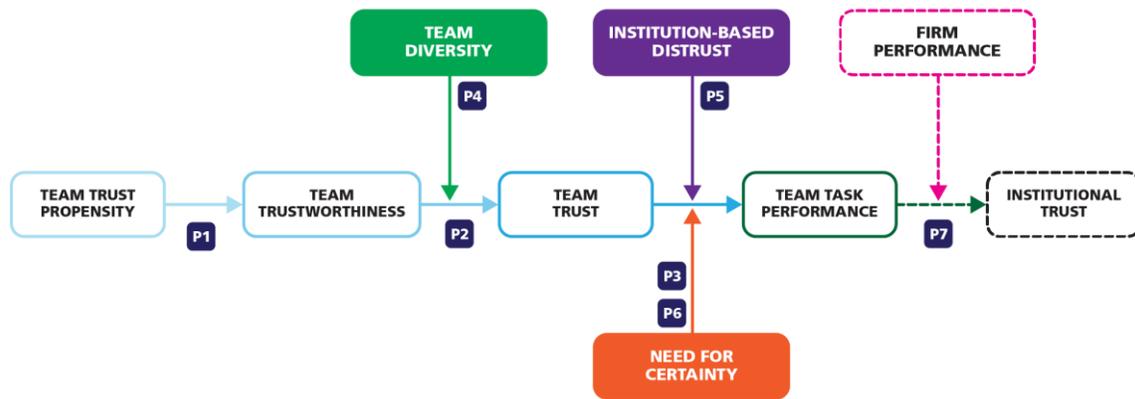
Figure 15. Empirically derived conceptual model. Author is the source.

Stated plainly, the theory of moderated-trust governance explains the following: Diverse board teams, with an appropriate control for need for certainty, that exhibit trust relationships moderated by distrust, will achieve superior task-performance and thus have positive outcomes for their organisations. This theory of moderated-trust is grounded in an understanding that low-trust and high-distrust agency theory has produced ineffective institutional mechanisms and constrained the collective motivation of board and management members to produce effective task-performance. The theory also eschews the over-socialised view of stewardship theory—one that encourages members of boards to have high trust and low distrust for members of management—which exposes boards and firms to opportunistic behaviour by members of management.

7.6.   Concluding considerations

In this section, I discuss this study's research contributions, research limitations, and areas of future research. The research contributions I entail include contributions to corporate-governance literature, corporate-governance research methods, and corporate-governance theory and practice. By limitations, I refer to limitations to this study's findings that resulted from its research methods. The areas of future research that I outline are related to the study's research contributions and limitations and represent opportunities to contribute to the operationalisation of the concept of moderated trust and to the adoption of the theory of moderated-trust governance.

7.6.1.   *Research contributions*

Contributions to corporate-governance literature

With this study, I revived scholarly efforts to integrate trust and corporate-governance literatures (Beccerra & Gupta, 1999; Blair & Stout, 2001). However, the study goes beyond earlier integrations by explicitly investigating trust and distrust simultaneously within corporate-governance literature. In this study, I began by describing and explaining the operation of levels of trust and of distrust among governance actors, within corporate-governance groups, and within corporate-governance groups in particular businesses. In this regard, the study was informed by a body of literature on trust that has been traced back to Morton Deutsch's (1952) classical work, *Trust and Suspicion* (Bachmann & Akbar, 2008; Rousseau et al., 1998). In this study, I investigated the generative processes of trust and of distrust in a context of distressed organisations (Argenti, 1976; Pretorius, 2014; Smith & Graves, 2005).

By focussing on contexts of distress, this study compared and contrasted the operations of trust and of distrust between various governance parties more clearly. The objective was to specify how levels of trust and of distrust (Blom & Moren, 2011; Fulmer & Gelfand, 2012) influence task-performance within boards of directors (S. Harvey et al., 2017; Machold & Farquhar, 2013), and the ultimate purpose was to contribute to literature about turning around the fortunes of distressed businesses (Smith & Graves, 2005). By focussing on institutional contexts of distress, I contributed to literature that highlights the role of context in the efficacy of corporate-governance mechanisms (Tihanyi et al., 2015).

Given that the work of governance actors is teamwork (Tuggle et al., 2010), this study extends literature on the emerging concept of team trust within literature on levels of trust (Fulmer & Gelfand, 2012). This conceptualisation of team trust contributes to a process-based approach to nominating directors, which discourages over-reliance on interpersonal pathways (Westphal & Stern, 2006). This nudges board nomination literature beyond considerations of superficial diversity factors such as race, gender, or nationality (Hafsie & Turgut, 2013; Kaczmarek et al., 2012b) and towards research on substantive diversity mechanisms (van Knippenberg & Mell, 2016) that cause events.

Corporate-governance scholars have struggled to research trust and distrust within the field of corporate governance because of difficulties gaining access to research participants (Crow & Lockhart, 2014; Leblanc & Schwartz, 2007; Lewellyn & Muller-Kahle, 2012a). By studying trust and distrust as process mechanisms, this study contributes to the few extant studies on difficult-to-access respondents in the corporate-governance domain. As such, it provides a deeper understanding of board processes, which provides a richer understanding of governance mechanisms than what is offered within studies on demographic characteristics and firm performance (Bansal, 2013; Heugens & Otten, 2007).

While interdisciplinary literature about the concept of trust is substantial and impressive, trust as a concept has attracted limited attention among corporate-governance researchers (Beccerra & Gupta, 1999; Bukspan, 2006). Within corporate-governance literature about trust, this study extends debates about relational-based trust and institution-based contractual control mechanisms (distrust) by explaining their complementary, instead of opposing, characteristics (Beccerra & Gupta, 1999). Theoretically and empirically, this study illustrates that not only are trust and distrust separate and complementary constructs (Dimoka, 2010; Haas, Ishak, Anderson, & Filkowski, 2015; Lewicki et al., 1998), but they are also perpendicular to each other and converge at the point of low trust and low distrust. This is an original and crucial contribution that opens future pathways for clarifying the generative processes of respectful engagement and need for certainty, which underpin the moderated-trust concept I have abductively derived in this study.

By investigating the levels of trust and of distrust among corporate-governance actors, this study also extends corporate-governance literature by shifting "attention from incentive alignment [mechanisms] to (internal) organisational architecture, coordination, and collaboration [mechanisms]" (Tihanyi et al., 2015, p. 3). In doing so, this study extends

current wisdom provided by agency theory and suggests an alternative approach to the governance of organisations.

A goal of this study was to contribute to the development of a theory of moderated-trust governance in order to uncover and explain how the trust mechanism operates in the corporate-governance domain. Scholars in the corporate-governance domain have typically characterised its participants as having low trust, high distrust, and goal conflict (Bosse et al., 2014; Hambrick & D'Aveni, 1992; Pretorius, 2013, 2015). This culture of low trust, high distrust, and goal conflict should be familiar to proponents of the regnant agency theory, which has dominated corporate-governance theory and practice for the past four decades (S. Harvey et al., 2017; Kim et al., 2006; Tajfel & Turner, 1979). Therefore, by specifying the levels of trust and of distrust that generate mechanisms that cause effective board performance, this study contributes to a more realistic view of trust and of distrust among corporate-governance scholars.

Scholars who have used stewardship theory to counterbalance agency theory have expressed considerable interest in the notion of trust within corporate governance (J. H. Davis et al., 1997a; L. Donaldson & Davis, 1991). This also applies to scholars who have been unconvinced that dominant agency theory offers universal explanatory power (Bukspan, 2006; Cuevas-Rodríguez et al., 2012; Lan & Heracleous, 2010; Roberts et al., 2005). Some scholars have expressed interest in investigating the negative effects of the naïve neglect of institution-based distrust mechanisms among stewardship theory (Eddleston & Kellermanns, 2007; Gargiulo & Ertug, 2006; McAllister, 1997). I distinguish this study by contributing to such efforts through incorporating distrust alongside trust (James, 2014; Kramer, 1999; Lumineau, 2017) within corporate-governance literature.

Finally, this study sought to contribute to a specific and emerging stream of literature on trust: multi-disciplinary literature on how levels of trust (Colquitt et al., 2012; Fulmer & Gelfand, 2012; Tomlinson et al., 2009) are influenced by distrust (Connelly et al., 2012; Dimoka, 2010; Kujala, Lehtimäki, & Pučėtaitė, 2016; Lumineau, 2017). Within corporate-governance literature, this study extends the concept of optimal trust (Gargiulo & Ertug, 2006) by specifying how two generative processes, respectful engagement and need for certainty, illuminate its operation. In the study, I further suggest revising the name of this construct from *optimal trust* to *moderated-trust* in order to establish its instrumental value to

specific organisational goals such as task-performance among corporate-governance actors.

Contributions to corporate-governance research methods

In this study, I make a threefold contribution to corporate-governance research. First, I contribute to research on difficult-to-access participants. Second, I contribute to the use of multiple case studies as a method within critical realism and within the corporate-governance domain in order to reveal or clarify generative mechanisms that provide causal explanations. Third, I contribute to studies that are concerned with causal mechanisms that are revealed through investigating governance processes rather than with causal inferences that are made from board composition strategies in relation to firm performance. I expand on each of these contributions below.

Difficult-to-access corporate-governance participants

Because of difficulties gaining access to directors of companies as direct units of observation (Crow & Lockhart, 2014; Leblanc & Schwartz, 2007; Lewellyn & Muller-Kahle, 2012a; van Ees et al., 2009), corporate-governance scholars have resorted to studying distal proxy variables of board demographics and archival financial-performance data (Crow et al., 2013; Huse, 2005, 2007). Along this line of enquiry, there is a large body of literature that has given rise to many insights that assist corporate-governance scholars, practitioners, and policy-makers (Boyd et al., 2012; Daily et al., 2003; Eddleston & Kellermanns, 2007; Kim et al., 2006; Kumar & Zattoni, 2014). By focussing on increasingly "narrower versions of positivism together [with] relatively unscientific methods to develop causal and testable theories" (Ghoshal, 2005, p. 86), this body of literature has attracted criticism for creating incomplete theory that imperfectly describes what really happens in boardrooms.

There is a much smaller body of literature written by scholars who have been able to access corporate-governance actors. This body of literature has investigated more proximal process mechanisms and has contributed to scholarly interest in process studies among corporate-governance participants (Bailey & Peck, 2013; A. P. Kakabadse et al., 2010; Leblanc & Schwartz, 2007; Roberts et al., 2005; Westphal & Stern, 2006). This study contributes to this relatively small but growing body of literature written by scholars who have

accessed directors in order to explore board processes, advance corporate-governance theory (Bansal, 2013), and develop better explanatory theories (Ghoshal, 2005).

This study contributes to scholarship concerned with accessing difficult-to-access corporate-governance participants by suggesting specific strategies for researchers to gain credibility and build rapport with such participants. In this way, it moves beyond extant literature on difficult-to-access corporate-governance participants; such scholarship often lacks sufficient focus on how to access these difficult-to-access participants (S. Harvey et al., 2017; Leblanc & Schwartz, 2007; Lewellyn & Muller-Kahle, 2012; Roberts et al., 2005).

Multiple case studies in multiple countries

The multiple-case-study research design I used in this study allowed for elective data collection methods that are aligned with other realist orientations such as positivism (Bansal, 2013) and post-positivism (Eisenhardt, 1989b; Yin, 2009) and with an idiosyncratic interpretivist method (Danermark et al., 2001; Easton, 2010). This research design, underpinned by a critical-realism perspective, illustrated disciplined flexibility in qualitative research (Burden & Roodt, 2007; Vollstedt, 2015) that was concerned with a dualist objective-subjective approach to research (Tsang & Kwan, 1999).

A critical-realist perspective calls for researchers to make the basis of their choices about research design and strategies more explicit. In the current study, my decision to use the case-study method was influenced by the complexity of the phenomenon (Easton, 2010): trust and distrust (Lewicki et al., 1998; Schoorman et al., 2007). My decision to use multiple exemplar cases (Eisenhardt, 1989b; Stake, 1995) was informed by the need to clarify the established but underspecified generative mechanisms (Blom & Moren, 2011) of trust and of distrust rather than the need to discover a new mechanism to explain a specific event. The latter need is normally addressed through the single-case-study method within critical realism (Ackroyd, 2010; Danermark et al., 2001). By applying a multiple-case-study method within the corporate-governance domain, this study illustrated how to apply the process of abduction to abstract concepts from empirical data in a rigorous and credible manner. Therefore, this study contributes to corporate-governance scholarship on causal relationships through illustrating how important it is to explicitly distinguish ontological and epistemological assumptions when conducting research to discover or clarify the generative

mechanisms that provide causal links between constructs (e.g., between trust, distrust, and specific organisational outcomes).

Informed by a critical realism ontology that sought to capture the reality of relations as closely as possible (Ackroyd, 2010; Danermark et al., 2001; Easton, 2010; Heugens & Otten, 2007), the study aligned with scholars who treat trust and distrust as a separate but complementary constructs (Dimoka, 2010; Lewicki et al., 1998; Mayo, 2015) as opposed to those who characterise them as constructs that sit at opposite ends of a continuum (Schoorman et al., 2007; Sitkin & Roth, 1993). In so doing, I highlight the different types and levels of trust and of distrust that, when triggered, facilitate effective board processes—particularly within distressed organisations. This spotlight on different types of trust and of distrust, following a critical realist perspective, contributes to an understanding of trust and distrust not as absolutes but as conditional complements. In so doing, I uncover the subtlety (Bijlsma-Frankema & Costa, 2005) of the operationalisation of trust and of distrust beyond what has been theorised to date (Lewicki et al., 1998).

Contributions to corporate-governance theory

As a concept, moderated trust contributes to specifying the boundaries of optimal trust (Gargiulo & Ertug, 2006), which I discussed earlier. In using the concept of optimal trust, scholars have sought to present a more realistic view of humanity by presenting both the positive and negative dimensions of trust. Gargiulo and Ertug (2006) considered context when they introduced the concept of optimal trust. While they acknowledged the importance of context, they offered no indication that context alone achieved their objective of specifying the concept of optimal trust. For that reason, I sought in this study to specify the generative processes of trust and of distrust in order to illuminate the generative mechanism of optimal trust and to introduce the theory of moderated-trust governance.

By developing a theory of moderated-trust governance, I responded to scholars' invitations to integrate institutional-based distrust mechanisms (agency theory) with interpersonal-based trust mechanisms (stewardship theory) (Cuevas-Rodríguez et al., 2012) in order to develop a theory of human interaction in the corporate-governance domain that is neither over- nor under-socialised. I did this in order to contribute to scholarly attempts to strengthen understandings of institutional trust (stakeholder view). This theory of moderated trust governance is informed by a large body of trust literature (Maguire & Phillips, 2008) and a

growing body of distrust literature (Lumineau, 2017) and engages with corporate-governance literature in subtle ways (Bijlsma-Frankema & Costa, 2005; Cuevas-Rodríguez et al., 2012). With this study, my goal was to profoundly nudge corporate-governance researchers towards a greater focus on internal processes (Heugens & Otten, 2007; McNulty et al., 2005; van Ees et al., 2009).

The theory of moderated-trust governance contains factors that form part of its explanation. In this chapter, I have indicated how such factors are related. The theory is based on a multi-theoretical view, which has enriched the boundary specification of the factors. Specifically, as I depict in Figure 15, the theory I propose integrates psychological and sociological mechanisms "to justify the selection of factors and proposed causal relationships" (Whetten, 1989, p. 491). Through the seven propositions I outlined earlier in this chapter, the study provides the "why" to the logic of the theory. Finally, I have replaced empirical data with logic and abstraction as the evaluative basis of the factors and causal relationships in the theory. Therefore, moderated-trust governance theory, as I present it in this chapter, resonates with the four-step theory development threshold set by Whetten (1989).

Contribution to corporate-governance practice

The real world is complex. Events that occur in the real world are caused by a wide variety of generative mechanisms that are triggered by corporate-governance participants. As such, governance actors must be aware that they are active participants in their worlds; they trigger generative mechanisms intentionally or otherwise. To achieve their ideal outcome (an event), they need to be purposeful about the generative mechanisms on which they rely. To do this, they need a deep understanding of the range of important generative mechanisms available. Relational-based trust and institution-based distrust are only two of such mechanisms. A governance actor's possession of deep knowledge about specific generative mechanisms is not sufficient. To fulfil the sufficiency rule, governance actors must know when to trigger generative mechanisms. Therefore, this study contributes to practice by highlighting the existence of generative mechanisms, noting what they are, specifying what they can do (their powers and liabilities), suggesting how to use them (how to trigger), recommending when to use them (context), and discussing why governance actors might use them (insight and wisdom).

7.6.2.   *Research limitations*

I highlight four limitations of this study. First, according to literature, notions of trust vary by culture (Dirks et al., 2009; Gunia et al., 2011; Huff & Kelley, 2003). While this study was undertaken in multiple countries and multiple companies, neither national culture nor organisational culture were the focal point of the study. No data were collected to reveal how culture influences the generative processes and mechanisms that were empirically covered in this study. Therefore, this study did not account for differences in culture.

Second, according to literature, there are different corporate-governance regimes across the world. There is a respectable body of literature focussed on comparing corporate-governance regimes (Aguilera & Cuervo-Cazurra, 2014; Aguilera & Jackson, 2003b, 2010). This literature distinguishes between unitary and dualist boards as well as between boards characterised by a separation between their CEOs and chairman and those that favour CEO-chairman duality. While this study included case studies that represented unitary and dualist boards, this difference was not the focus of the study. A greater emphasis on structure and process could have enhanced this study. In addition, an inclusion of case studies characterised by CEO-chairman duality could also have strengthened the conceptualisation of the moderated-trust concept.

Third, according to literature, boards behave like teams (Tuggle et al., 2010), and team diversity contributes to increased intergroup conflict (Tajfel & Turner, 1979). Recently, scholars have noted that, in addition to having intergroup conflict, diverse teams are characterised by "decision diversion" (S. Harvey et al., 2017, p. 358), especially in the early phase of their constitution. While this study's unit of analysis was the board, its unit of observation included the chairman, CEO, and CFO instead of the board as a whole. This unit of observation constrained the ability of this study to investigate decision-making within the board as a whole.

Fourth, the concept of generalising findings has different meanings within quantitative studies and qualitative studies. In quantitative research, it refers to the generalisation of naturally occurring (empirical) data that are regularly observed. However, within qualitative research informed by critical realism, it refers to the generalisation of a specific mechanism in relation to a specific event (or outcome) (Ackroyd, 2010; Danermark et al., 2001).

Therefore, as novel as the findings of this study may be, they may only be generalised to a limited extent.

7.6.1. *Areas of future research*

Through this study, I have derived propositions grounded in empirical data. These propositions need to be validated and tested in order to improve their specificity and operationalisation across a much larger population than what was implied by the nature of the research (refer to the discussion on generalisation). Therefore, in relation to the output of this research, further research is required to develop measurement instruments and to test such instruments using quantitative methods. In addition, I highlight three additional areas of future research below.

First, important corporate-governance theories of agency, stewardship, and stakeholders were the focus of this study. Within these theories, scholars have investigated power as a causal mechanism (D. R. Dalton & Dalton, 2011; T. Donaldson & Preston, 1995; Lewellyn & Muller-Kahle, 2012; McClelland & Burnham, 2003; Roberts, 2001; Westphal & Zajac, 1995). This body of literature has made an important contribution to scholarly and practitioner understandings of the concepts of trust and control (Baysinger & Hoskisson, 1990; Das & Teng, 1998a; Ferrin et al., 2007; Roberts, 2001b; Westphal & Zajac, 1995). Given that events (outcomes) can be triggered by multiple generative mechanisms, I encourage future studies at the intersection of trust, distrust, and power within and across different theories such as ones about agency, stewardship, and stakeholders.

Second, the concepts of trust and distrust could be investigated through other theories that were not the focus of this study. In so doing, the concept of moderated trust and the theory of moderated-trust governance could illuminate other generative processes in the corporate-governance domain through a deeper reflection on institutional theory (Prado-Lorenzo & Garcia-Sanchez, 2010; Scott, 1987, 2008). These additional lines of enquiry along an institutional path could explain why certain triggers are activated and others are not in different contexts.

Third, at a micro-level and possibly a more practical one, future emphasis could be placed on the *process* of arriving at a contractual board charter in addition to its content. I suggest scholars should focus on how boards of directors enforce the charters they have

established. Different levels of trust within boards, and between boards and management, will likely influence both the chartering process and the monitoring of charter implementation. Accordingly, researchers could productively focus on internal governance mechanisms such as trust, within and between governance actors, instead of primarily focussing on board composition, which scholars have already researched extensively. While focus on composition studies has yielded unhelpful prescriptions, attention to the internal mechanisms used by corporate-governance actors may lead to stronger insights about how to sustainably govern organisations.

7.7. Concluding remarks

By focussing on usual contexts, this study makes a threefold contribution to literature on corporate governance, trust, and distrust. First, it makes context explicit within corporate governance. Second, it simultaneously examines psychological and sociological constructs such as trust and distrust (Fulmer & Gelfand, 2012; Lewicki et al., 1998; Lumineau, 2017) within an important but under-explored corporate-governance context: organisational distress. Third, by focussing on organisational distress, it highlights a context particularly suited to illuminating the mechanism of distrust.

Task performance has previously been suggested as a more proximal outcome variable than financial performance within studies on the processes of boards of directors (Capon et al., 1990; Neal & Hesketh, 2001), and it has often been unsatisfactorily investigated by corporate-governance scholars (Bhagat & Black, 2014; Daily et al., 2003; D. R. Dalton et al., 1998; Shleifer & Vishny, 1997). The most important task of a board of directors is collective decision-making. Therefore, I have suggested in this study that introducing the concept of moderated trust into the corporate-governance domain should lead to improved understanding about trust and distrust mechanisms. In turn, this enhanced understanding should help boards of directors use these mechanisms at appropriate levels and should contribute to effective, collective decision-making within the boardroom. The concept of moderated trust in corporate-governance literature therefore contributes to opening new pathways for integrating agency theory and stewardship theory. Doing so enables more realistic depictions of how trust and distrust influence board task-performance among directors in distressed organisations.

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Appendix 1: Methodology

Table 14

Interpretive Frameworks and Philosophical Beliefs

	Ontological Beliefs (The Nature of Reality)	Epistemological Beliefs (How Reality is Known)	Axiological Beliefs (The Role of Values)	Methodological Beliefs (Approaches to Inquiry)
Post-Positivism	A single reality exists beyond ourselves, "out there." Research may not be able to understand it or get to it because of lack of absolutes.	Reality can only be approximated. But it is constructed through research and statistics. Interaction with research subjects is kept at a minimum. Validity comes from peers and not from participants.	Research biases not to be controlled and not to be expressed in the study.	Use of scientific method and writing. Object of research is to create new knowledge. Method is important. Deductive methods are important, such as testing of theories, specifying important variables, making comparisons among groups.
Social Constructionism	Multiple realities are constructed through our lived experiences and interactions with others.	Reality is co-constructed between researchers and the researched and shaped by individual experiences.	Individual values are honoured and are negotiated among individuals.	More of a literary style of writing used. Use of an inductive method of emergent ideas (through consensus) obtained through methods such as interviewing, observing, and analysis of texts.
Transformative Postmodern	Participation between researcher and communities/ individuals being studied. Often a subjective-objective reality emerges.	Co-created findings with multiple ways of knowing.	Respect for indigenous values; values need to be problematized and interrogated.	Use of collaborative processes of research; political participation encouraged; questioning of methods; highlighting issues and concerns.
Pragmatism	Reality is what is useful, practical, and "works"	Reality is known through using many tools of research that reflect both deductive (objective) evidence and inductive (subjective evidence).	Values are discussed because of the way that knowledge reflects both the researchers' and the participants' views.	The research process involves both quantitative and qualitative approaches to data collection and analysis.

	Ontological Beliefs (The Nature of Reality)	Epistemological Beliefs (How Reality is Known)	Axiological Beliefs (The Role of Values)	Methodological Beliefs (Approaches to Inquiry)
Critical Race, Feminist, Queer, Disabilities	Reality is based on power and identity studies. Privilege or oppression based on race, ethnicity, class, gender, mental abilities, sexual preferences.	Reality is known through the study of **social structures**, freedom and oppression, power and **control**. Reality can change through research.	**Diversity of values is emphasised** within the standpoint of various communities.	Start with the **assumptions of power** and identity struggles, document them, and call for action and change.

Note. Creswell, 2013, pp.36 – 37

Appendix 2: Master Consent Forms

Master Letter to the Chairman

Dear Mr Chairman:

I am writing to you as the chairman of the board of directors of XYZ Limited. I am conducting research on corporate governance. The focus of my study is to establish relationship determinants between various people associated with the governance of the company. The interview is expected to last about two hours and will help in the understanding of how South African corporate-governance practitioners view the role of board dynamics.

The interview process will involve an interview with board members, the executive management team, and professional advisers. Separate letters of informed consent will be sought from each of the parties listed and each of the individuals to be interviewed. Your participation is voluntary, and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

Researcher: Morris Mthombeni   Research Supervisor: Dr. Len Konar

Email: mthombenim@gibs.co.za   Email: lenkon@icon.co.za

Phone: (082) 440 5552   Phone: (011) 384 8000

Signature of participant: _____ Date: _____

Signature of researcher: _____ Date: _____

Master Letter to the CEO

Dear Mr. CEO:

I am writing to you as the CEO of XYZ Limited. I am conducting research on corporate governance. The focus of my study is to establish relationship determinants between various people associated with the governance of the company. The interview is expected to last about two hours and will help in the understanding of how South African corporate-governance practitioners view the role of board dynamics.

The interview process will involve an interview with board members, the executive management team, and professional advisers. Separate letters of informed consent will be sought from each of the parties listed and each of the individuals to be interviewed. Your participation is voluntary, and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Email: mthombenim@gibs.co.za   Email: lenkon@icon.co.za

Phone: (082) 440 55520   Phone: (011) 384 8000

Signature of participant: _____ Date: _____

Signature of researcher: _____ Date: _____

Master Letter to the Business Rescue Practitioner

Dear Mr. Business Rescue Practitioner:

I am writing to you as the BR Practitioner of XYZ Limited. I am conducting research on corporate governance. The focus of my study is to establish relationship determinants of various people associated with the governance of the company. The interview is expected to last about two hours and will help in the understanding of how South African corporate-governance practitioners view the role of board dynamics.

The interview process will involve an interview with board members, the executive management team, and professional advisers. Separate letters of informed consent will be sought from each of the parties listed and each of the individuals to be interviewed. Your participation is voluntary, and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Phone: (082) 440 5552

Research Supervisor: Dr. Len Konar

Email: lenkon@icon.co.za

Phone: (011) 384 8000

Signature of participant:_____ Date: _____

Signature of researcher: _____ Date: _____

Master Letter to a Director

Dear Mr(s). Director:

I am writing to you as a director of XYZ Limited. I am conducting research on corporate governance. The focus of my study is to establish relationship determinants of various people associated with the governance of the company. The interview is expected to last about two hours and will help in the understanding of how South African corporate-governance practitioners view the role of board dynamics.

The interview process will involve an interview with board members, the executive management team, and professional advisers. Separate letters of informed consent will be sought from each of the parties listed and each of the individuals to be interviewed. Your participation is voluntary, and you can withdraw at any time without penalty. Of course, all data will be kept confidential. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Phone: (011) 384 8000

Signature of participant:_____ Date: _____

Signature of researcher: _____ Date: _____

Appendix 3: Research Protocol Instrument

SECTION	TITLE	CROSS-REFERENCE
A. Case Introduction and Protocol		
1.	Primary Research Questions and Secondary Research Questions (derived from literature in trust, distrust, and corporate-governance fields).	**Chapters 1 and 3**
2.	Theoretical concepts and frameworks (optimal trust; moderated trust; agency theory; stewardship theory; and stakeholder theory).	**Chapters 2 and 3**
3.	Research paradigm and design (explain relevance of critical realism throughout the document).	**Chapter 4**
B. Guiding Research Questions **(Questions 1 and 2 below are the same on purpose, differences are in the follow-up nudging questions. Question 3 only used when respondents voluntarily used the term "trust," and only after such had happened)**		
1.	*Ask respondents to describe the nature of relationships among members of the board, between the board chairman and the CEO, and between the board and management. Explain how this influences the type and nature of the work of the board. Indicate whether the board is effective and provide reasons for your opinion.* Note: In the interview, use agency theory based examples to probe the explanations and justifications provided by the respondent.	**Chapter 3**
2.	*Ask respondents to describe the nature of relationships among members of the board, between the board chairman and the CEO, and between the board and management. Explain how this influences the type and nature of the work of the board. Indicate whether the board is effective and provide reasons for your opinion.* Note: In the interview, for this question, use stewardship theory based examples to probe the explanations and justifications provided by the respondent.	**Chapter 3**
3.	*Ask respondents to describe how different levels of trust and distrust between the board and CEO influence the selection, and performance, of appropriate board tasks like control, monitoring, and advice?* Note: In the interview, for this question, use stakeholder theory based examples to probe the explanations and justifications provided by the respondent.	**Chapter 3**
4a.	*Ask respondents to describe specifically how high-trust or high-distrust influences the selection and performance of board tasks?* Note: In the interview, for this question, use examples of optimal trust to nudge the conversation towards deeper reflections, but do not use academic terms such as mechanisms and constructs. Only use after trust has been raised by respondents.	**Chapter 3**
4b.	*Ask respondents to indicate how important certainty of outcomes and information or facts are to them (the interviewee), their Chairman (if not interviewing the chairman), their CEO (if not interviewing the CEO), and their board as whole. Explain how the answers above influence the tasks that the Chairman, CEO, and the board respectively tend to focus on.*	**Chapter 3**

SECTION	TITLE	CROSS-REFERENCE
	Note: In the interview, for this question, use examples of <u>need for certainty</u> to nudge the conversation towards deeper reflections, but do not use academic terms such as mechanisms and constructs.	
C. Data Collection and Analysis Procedure		
1.	Names of case sites and case informants (in multiple companies and companies—all within financial services industry).	**Chapters 5, 6, & 7**
2.	Expected preparation (review of archival documents as well as development and deployment of access strategies).	**Chapter 4**
3.	Data collection <u>approach</u> (traditions of grounded theory used to collect empirical data for each case site).	**Chapter 4**
4.	Data collection <u>procedure</u>—commence with biographical questions prior to launching into guiding research questions indicated in Part B of this protocol.	**Chapters 4 & 5**
4.	Data analysis <u>approach</u> following interpretivist approaches of critical realism, especially iterative <u>abductive</u> method.	**Chapters 5, 6, & 7**
5.	Data analysis <u>procedure</u>—computer-assisted coding (Atlas.ti) using transcribed interview data and archival data assisted by *memoing*.	**Chapters 5 & 6**
D. Rival Explanations		
1.	Use critical realist analysis methods (especially abduction) to investigate rival explanations supported by pattern matching technique.	**Chapters 5 & 6**
2.	Use concepts with most effective powers and liabilities from a critical realist perspective to develop corporate-governance theory that explicitly and simultaneously engages trust and distrust.	**Chapters 3 & 7**
E. Results and Findings Outline		
1.	Background of company (including country, size, and type of financial services company).	**Chapters 5, 6, & 7**
2.	Nature of organisational distress (financial or non-financial).	**Chapter 5**
3.	Board structure (dual or unitary).	**Chapter 5**
4.	Role of the board (passive, active, engaged).	**Chapters 5, 6, & 7**
5.	Description of board relationships.	**Chapter 5**
6.	Themes-based analysis (informed by within- and cross-case categories underpinned by codes grounded in empirical observations by research participants).	**Chapters 5 & 6**
7.	Concept-based analysis and presentation of results (based on critical realist analysis methods, especially *adbuction*).	**Chapter 7**
8.	Overall structure of results and findings (within-case analysis, cross-case analysis, findings, propositions, theory development, contributions, limitations, and areas of future studies). Consider review of results and findings.	**Chapters 5, 6, & 7**

Note. Protocol structure informed by Yin (2009), content based on literature and field studies by author.

Appendix 4: Within-Case Analysis Extracts

Table 15

Fynbos Dimensions of Trust

Respect **Truth** **Honesty**	*"And then trust which I guess is the most important one of the three, is really to say other than for the fact that I respect you as a person I actually trust you to do your part and you can trust me to do my part. And like I say, if these things don't work well then—it's the beginning of the end.* *Respect I don't think I need to explain, but essentially it means that we need to have respect for one another in executing that; you can't like treat people or rather mistreat people, and then expect them to deliver on a strategy, even though it's a combined strategy. Because will just get irritated with you . . . "* (D 42: Fynbos CFO).
Integrity	There is no quote for this dimension, but it is informed by overall engagement with all interviewees during each separate interview.
Evidence	*"Interesting observations at that stage was that the board often in that context made decisions that weren't necessarily the recommendation of the actuaries, and the business. Even though they had more than 80 qualified actuaries in various projects; the guys would crunch the numbers, and it struck me as very interesting that often the board took other factors into consideration in their decision making—which was a big frustration for the actuarial fraternity internally. But that got me thinking about how people make decisions and why other factors are considered in decision making, in a board context"* (D 22: Fynbos, CEO).
Competence	*"And then the board, the Fynbos board . . . we have been blessed in each of these areas, with competent people, and so the board feels supported, they feel they can rely on people to do a proper job; they don't have to feel anxious about what is happening. And also they can trust the information that they are getting. If you think you are getting bad information, it is not good"* (D 35: Fynbos, Chairman).
Experience	*"Sure. So, let me perhaps start off making it a bit more personal: I trusted the board. Why? Because I had no reason to not trust them. I mean the board had never promised me anything that they didn't deliver on. The board had never sort of made a commitment in any way or form that they didn't deliver on"* (D 42: Fynbos CFO).

Note. Source: Interviews with Chairman, CEO, and CFO of Fynbos.

Table 16

Protea Growth Mandate

Board mandate	*"don't know, I don't know, and the board was driving a growth agenda so . . . and the board never changed that. They did right towards the end you know, but the growth agenda was there, the board then changed the . . . and that growth agenda which the former CEO made way for the most recent CEO as a different sort of leadership skills. And during this process I don't think that change was that well communicated I guess. But ja . . . "* (D 40: Protea, CFO).
CEO mandate	*"With hindsight the CEO was appointed at exactly the wrong time because . . . he was brought in to grow the business at a time when the business should have been battening down its hatches and you want to manage this thing as tight as you can, like you would have wanted to . . . on top of things operationally on a daily basis"* (D 40: Protea, CFO).
Operational challenges	*"So, because you're in a daily stress environment; whereas with a growth outlook, with a long-term strategic outlook, which is how, the CEO would operate—that's exactly the wrong sort of skills set for what you actually need. So, you either have to support him, if somebody could do that, or you are going to have a problem. I think that timing was unfortunate"* (D 40: Protea, CFO).

Note. Interview with Protea CFO.

Table 17

Protea Rapport

Contrasting rapport	*"If you had looked at our previous chairman you could immediately see there was a rapport between the CEO and the previous chairman, whereas I don't think there was a natural rapport [between the CEO and current Chairman]—and that just makes it a little bit more difficult to operate. But they did . . . I mean they spent a lot of time together, but I think in the end they disagreed on how things were. Because at the end of the day whatever I tell you is not important, it's really what happened between CEO and the Chairman"* (D 40: Protea, CFO).
Values underpin	*"Look rapport . . . in many ways it goes back to your values of a relationship, you tend to have a better rapport with people that you can relate to better. I don't know if the two are related but they seem to be. And naturally you oscillate towards those people. Naturally they understand you better over time and before you know it, it becomes a self-fulfilling prophecy you know. You communicate better, you are able to engage in much more meaningful and deeper issues without even thinking about it"* (D 29: Protea, CEO).
High-level engagement	*"So, rapport for me is just means a high level of engagement that can happen fairly quickly because people have got a better understanding of one another. For example, if I have a lot of people on a board that have worked well with me or I worked with before. They will know which questions to ask very quickly to derive comfort and that is not less supervision or less control"* (D 29: Protea, CEO).

Note. Source: Interviews with Protea CFO and CEO.