

# CHALLENGING GOVERNANCE BETWEEN INTERNAL AND EXTERNAL ACTORS: A RESOURCE DEPENDENCE APPROACH FOR STUDYING BOARD DYNAMICS AND INTERACTIONS

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## Abstract

This research represents a continuation of a previous systematic research conducted few years ago by some of the authors (Hinna et al. 2010, 2014). In order to focus on the need to deepen the study on board dynamics in public organizations, this study presents an overview of international literature regarding boards in public organizations, in order to evidence if, and in which terms “board dynamics and interactions” has been a topic of research in public governance in recent years. Then, using a resource dependence approach the paper tries to understand how external factors and pressures can influence board composition and board interaction. The results will contribute and provide suggestions to further research on board dynamics in public organizations.

**Keywords:** Board Dynamics, Board Interactions, Public Sector, Resource Dependence Theory

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## 1. Introduction

In public sector literature relevant issues regarding behavioral dimensions about the board of directors are still few investigated (Hodges et al. 1996; Farrell, 2005; Hinna et al. 2010; 2014), especially considering issues related to board dynamics and board interactions.

Despite the poor attention on this dimensions, there is a general agreement on the fact that both dynamical and interactive processes within the board can influence board effectiveness and organizational performance (Ingley and Van der Walt, 2005; Schmidt and Brauer, 2006, Minichilli et al. 2009).

In particular, it looks interesting to focus on these aspects by also considering the external influence exerted by the context in which public organizations act: as for private organizations, even for public organizations, which are particular multi-stakeholders structures (Huse and Eide, 1996), the external context plays an important role in

influencing organizational dynamics and performance (Pfeffer and Salancik, 1978; Long, 2006; Grissom, 2010).

To deepen this concept, we try to understand how external factors and pressures can influence board dynamics and board interaction by applying the resource dependence theory as suggested by Hillman et al. (2000; 2009).

This article represents a continuation and a more in depth analysis of a previous work conducted by the authors (Hinna et al. 2014) on the behavioral perspective in boards of public organizations, with a particular focus on board dynamics and board interactions.

The paper proceed as follows: in the first part the reasons for deepening the analysis on board interactions and dynamics in public sector are presented. In “A resource dependence approach” section we try to analyze the most relevant contribution on board dynamics and interactions by applying the resource dependence theory (Pfeffer and Salancik, 1978) to understand how external

factors and pressures can influence board composition and board interaction even in public sector organizations. In the third section we present the conceptual framework adopted to analyze the collected papers through the literature review. In the following sections the method of research and analysis are presented. The final sections contain the presentation of the results, followed by some discussions and conclusions.

## 2. Board Dynamics and Board Interactions: What Literature Says?

Several studies both in private and in public governance literature stress how the attention and the understanding of the board behavioral dimensions are now the basic conditions for effective governance (McNulty and Pettigrew, 1999; Westphal et al. 2001; Leblanc and Schwartz, 2007; van Ees et al. 2009). On the basis of previous corporate governance studies, the behavioral

dimensions could be categorized as follow (Huse, 2007):

a. board characteristics: these are the formal and structural characteristics that denote the board as a team (characteristics of the actors, demographic composition, selection process, compensation, competence/skills and motivation)

b. board dynamics: they refer to the process dimensions that concur to explain board behaviour (interactions both inside and outside the boardroom, ethics, power, decision making processes, conflicts, etc.).

The first block, the board characteristics, refers to all the elements which could constrain, empower or facilitate actions and behaviors within boardroom. For example, the competences of board members are a relevant element to perform the various task assigned to the board (Johannisson and Huse, 2000; Hillman and Dalziel, 2003).

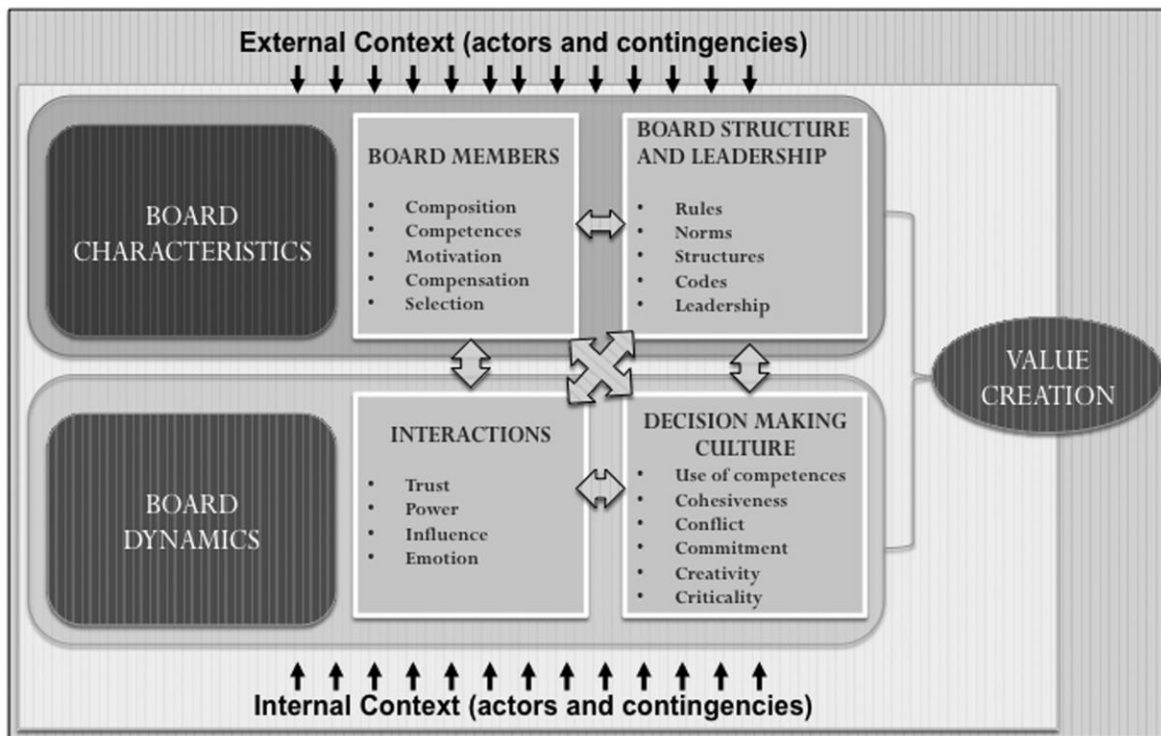


Figure 1. Board behavioral dimensions (Source: Hinna et al., 2014)

Moreover, the board dynamics may benefit from motivated individuals (Steel and König, 2006). Also the presence of formal and informal rules and norms, the idea of leadership (Roberts et al. 2005) referred to the roles, attributes and styles of the board chair, the affective and cognitive conflicts or, for example, the use of knowledge and skills such as the creativity during the definition of tasks elements such as strategy or policy development and implementation, may moderate the dynamics among board members.

However, according to Huse (2007), the most relevant issue to understand the human side of corporate governance are the interactions, that more than other dimensions could be assume as the central core for explaining board dynamics. In literature, in fact, the board has been considered as an open system with interactions among board members, the top management team and various other actors both inside and outside the boardroom (Pettigrew, 1992).

According to Gnan et al. (2013), this is particularly true for public organizations, that can be considered as multi-stakeholders structures with a main objective in managing and gaining legitimacy through public consensus. Different stakeholders mean significant differences in expectations: the divergence and convergence of stakeholders' expectations may provide an organization's management with critical leverage in using boards for stakeholder management (Huse and Eide, 1996). However, the roles played by the boards also depend by the changing relationships between external and internal actors. Because of the pressures deriving from the requests of the different actors involved, boards are liable to characterize issues differently and to hold different opinions about what the appropriate responses to these issues are (Dutton and Jackson, 1987; de Cabo et al. 2011).

Starting from these premises, and considering both previous studies about board dynamics and the main results emerging from previous literature review (Hinna et al. 2014), it could be useful to face board interactions in public governance literature considering two main categories of analysis: a) relationships with both internal and external actors; b) power, trust, emotions and conflict.

a) Relationships with both internal and external actors

Interactions inside the boardroom, mainly finalized to the exchange of information, are described and classified in terms of frequency of board meetings, frequency of interactions among the directors besides board meeting, and frequency of face-to-face interactions between the directors and the main interaction partners. In particular, inside the organization, the most important actors with whom board members should interact are represented by the top management team, due to the need to shape strategic directions, to make informed decisions and to protect the interest of stakeholders (McNulty and Pettigrew, 1999; Stiles and Taylor, 2001; Hendry and Kiel, 2004; Huse, 2007). For example, studying internal interaction, Reid and Turbide (2012) contribute to the discussion of board interactions in the particular context of organizational crises. They come to the result that the underlying dynamics of trust/distrust and control/collaboration appear to explain change from one stage to another in these crisis scenarios, providing some understanding of how boards and managers might consider developing their relationships so as to better control the disruptive effects of a crisis.

For a long time, focusing the attention only on the internal dynamics, many scholars recurred exclusively to agency theory to explain board interactions. However, it is interesting to note that in the public sector - in comparison to what happens in the private sector (Huse, 2007) - the

agency theory is not a unique or dominant analytical perspective. Indeed, we can observe that the relationships between boards and management and, more generally, between politics and administration, is generally studied from a democratic perspective (Maitlis, 2004; Grissom, 2012; Reid and Turbide, 2012).

According to this perspective, the boards have to represent the interests of stakeholders, but at the same time they have to resolve or choose between the contrasting interests of different groups of stakeholders, to set the overall policy of the organization (which can be implemented by administrators), to hold staff to account the implementation and, finally, to be publicly account for the organization as a whole.

Some authors (Benz and Frey, 2007) try to open the discussion to combine the agency perspective with the stakeholder one in defining boards roles.

In their opinion, the public governance approach differs in its ideas and research implications from corporate governance theories. This applies, first, to the agency theory: corporate governance mechanisms have to be introduced for containing and disciplining the managerial self-interest.

The public governance approach is similar to the agency theory when it stresses the need to find ways to control self-interested managers' behavior (Benz and Frey, 2007). At the same time, public governance literature, more than the corporate governance one, goes far beyond the focus on the internal management of the firm, adopting the stakeholder theory. In fact, as Fields (2007) reveals, boards may be best able to protect stakeholders by pressing management to undertake changes requested from the external environment (i.e. public sector reforms)(de Cabo et al., 2011; Grissom, 2010; 2012).

Considering also the board external relationships, in fact, scholars usually describe a set of boards tasks expectations and, therefore, a set of type of interactions with external stakeholders expanding the board function beyond the internally focused and distrustfuling agency approach by fostering a trusting and collaborative board/management relationship (Reid and Turbide, 2012).

As a consequence, this "extended" boards' role asks for a participation to the formulation and the decision on strategic change that may help public organizations to adapt both to important environment changes and to some particular request coming from the community. Still with reference to what may determine the form and nature of the relationship between the board and external stakeholders is also interesting to note that some antecedents are endogenous. On this regard, for instance, Jonnergard and Stafsudd (2011), notice

that when board roles and activities do change, it may either be done through the initiative of the top management team or the board of directors. In cases when behavior is changed through the initiative of directors, they may either be due to the composition of the board having changed.

The same was also observed recently by Pettersen, Nyland and Kaarboe (2012) analyzing hospital boards in Norway: the authors observed that when politicians were included in the boards in 2006, the politicians and the employees constituted a majority in the boards, and the roles of the hospital boards were changing towards the stakeholder perspective.

However, from all these studies emerge a particular attention to external relations to the boardroom as main observation point, but not to internal relations. This evidence sets a clear research gap to be bridged if academic scholars really intend to investigate the relationship between board dynamics/interactions and organizational performance.

This is even truer if we look at the results gathered from the first attempts to analyze the interpersonal dynamics within board meetings. In this context, it is certainly important the contribution of Brown (2005), exploring the association between board and organizational performance, where the board interpersonal dimension provided a unique explanation of judgments of organizational performance.

b) Power, trust, emotions and conflicts

Power is another important issue in board dynamics (Mintzberg, 1983; Pearce and Zahra, 1992; Pettigrew and McNulty, 1995): through the exercise of power, board members may contribute (more or less) to the strategizing in boardroom (Zajac and Westphal, 1996; Bunderson, 2003; Johnson et al. 2003; Ravasi and Zattoni, 2006). According to Dahl (1957) "An individual has power over another individual to the extent that the former can get the latter to do something that the latter would not otherwise do" (Dahl, 1957, p.202). In addition, power as a relation between actors is linked to the concept of influence (Pettigrew and McNulty, 1998; Yukl, 1998; Huse, 2007). Literature (Lukes, 1974; Luhman, 1988; Huse and Eide, 1996) define different types of power (direct, indirect...), but with particular reference to board dynamics it is important to stress that power and influence could both induce to the creation of alliance both inside and outside the boardroom and explain also the political dynamics (Michels, 1962; Ocasio, 1994).

Moreover, for understanding relationships among actors and, more in general, behaviours also the role of trust is an essential element (Larson, 1992; Bromiley and Cummings, 1995; Browing et al. 1995; McAllister, 1995; Hosmer, 1995; Korsgaard et al. 1995; Huse, 1998, 2007). Some

scholars (Donaldson, 1990; Donaldson and Davis, 1991; Huse, 1990; 2000;), in fact, defined trust as an important "bidirectional" control mechanism used both by principal and agent. Most studies of boards and governance make implicit assumptions about trust, but few studies are precise in defining the term consequently it is possible to distinguish, for example, between competence-based trust or integrity-based types of trust (Hosmer, 1995; Ring, 1996; Sapienza et al. 2000).

In the area of interactions we refer also to emotions: they could be manifested with different degree of intensity during working processes, they may reflect rationality or irrationality, they evolve during time, they may restrain or drive behaviours (Brundin, 2002; Brundin and Nordqvist, 2008).

Finally, as suggested by existing literature, for a better understanding of board interactions both the affective reactions of decision makers and the cognitive processing (Dutton and Jackson, 1987; Amason, 1996; Gibson and Earley, 2007; Huber and Lewis, 2010) in the definitions of tasks elements, such as strategy or policy development and implementation access have to be take into account. Decision-making processes, in fact, involving not only board members but also internal and external actors could be characterized by several kinds of conflicts. First of all a cognitive conflict that refers to judgmental differences about how best to achieve organizational objectives; it is based on technical disagreements regarding how information might be interpreted (Amason, 1996; Higashide and Birley, 2002; Berg, 2007). In addition, both personal incompatibilities and different preferences or values (Amason, 1996) determine the development of affective conflict which tends to be emotional and more ideological in nature. Here, there may not be a political consensus among actors over the weight assigned to particular outcomes, especially outcomes involving non-monetary impacts. (Berg, 2007, p. 4).

Both cognitive and affective conflict are important topics to be investigated in public governance debate, since public boards have specific challenges to face related to multiple, conflicting, and ambiguous goals. Therefore, defining board tasks, political and social issue interpretation activates and motivates the protection of power and resources by board members (Narayanan and Fahey, 1982) predicting both cognitive and affective conflicts (Burns, 1962; Daft and Weick, 1984; Thomas et al. 1994; Jehn, 1997).

### 3. A Resource Dependence Approach

Early studies conducted on board behavior argue that interactions difficulties (i.e. process losses) and conflicts prevent boards from fulfilling their roles (Forbes and Milliken, 1999; Gibson and Earley, 2007; Grissom 2010; Grissom 2012). The adoption

of different governance perspectives (Table 1) of analysis to the definition of a different board roles in public administration and, therefore, indirectly, to a different shape and nature of the relationship between the boards and internal and external actors.

Starting by the "agency theory" point of view, for example, some authors discuss the role and therefore the conditions for an effective control over the management (Cornforth and Edwards, 1999; Cuervo and Villalonga, 2000; West and Durant, 2000; Farrell, 2005; Benz and Frey, 2007). Others, moving their arguments from the

perspective of "stewardship" type, try to highlight the role of support that the board should take in relation to the administration, to improve its performance (Greer and Hoggett, 2000; Farrell, 2005; Skelcher et al. 2005). As previous stated there is, then, a group of scholars who, instead, moving from the importance of protecting legitimate interests expressed by stakeholders, discuss the conditions under which those interests can be effectively protected (Oldersma et al. 1999; West and Durant, 2000; Flinders 2004; Nestor, 2005; Klijn and Skelcher, 2007).

**Table 1.** The different models of governance perspective. (Source: Cornforth, 2003)

Theory	Interests	Board members	Board role	Model
<i>Agency theory</i>	Owners and managers have different interests	Owners' representatives	Compliance/conformance: safeguard owners' interests oversee management check compliance	Compliance model
<i>Stewardship theory</i>	Owners and managers share interests	Experts	Improve performance: add value to top decisions/strategy partner/support management	Partnership model
<i>Democratic perspective</i>	Members/the public contain different interests	Lay representatives	Political: represent constituents/members reconcile conflicts make policy control executive	Democratic model
<i>Stakeholder theory</i>	Stakeholders have different interests	Stakeholder representatives: elected or appointed by stakeholder groups	Balancing stakeholder needs: balance stakeholder needs/make policy/strategy control management	Stakeholder model
<i>Resource dependency theory</i>	Stakeholders and organization have different interests	Chosen for influence with key stakeholders	Boundary spanning: secure resources maintain stakeholder relations being external perspective	Co-option model
<i>Managerial hegemony theory</i>	Owners and managers have different interests	Owners' representatives	Largely symbolic: ratify decisions give legitimacy managers have real power	"Rubber-stamp" model

By analyzing the literature on public sector, what results is the lack of a resource dependence approach to explain the relationship between the board and the external actors. In fact, while in the private sector this kind of interaction is quite always analyzed in terms of how the board interacts with the external context to provide resources, legitimacy and relationships to let the organization survive, this approach is not so taken into account in the public domain.

Pfeffer and Salancik in 1978 introduced the resource dependence theory (RDT), basically founded on the fact that each organization is influenced by external pressures and depends on the external context in which acts to get the fundamental resources to survive. The influence exerted by the external context, in fact, may lead to a situation of uncertainty over the organization success and survival.

These considerations are particularly related to the role covered by managers in order to let the

organization survive by involving external and internal stakeholders using co-optation strategies.

The external context has the power to influence both the organizational behavior and the organizational performance: for instance, an organization can reach the competitive advantage only if its resources and particular characteristics are recognized as distinctive by the external context in which acts.

Many organizational theories underline the importance of the resources, so that it becomes vital to the organization to modify its business strategies as the external context changes and as the possibility to obtain certain specific resources.

The RDT identifies the external resources as the main source of influence for the organizations, but the authors highlight the fact that the organization may manage and control external pressures – as suppliers, competitors, institutions, etc. – and try to impose their power over the other actors.

Strictly linked to these considerations are the concept of power and influence, as previously highlighted.

In particular, the impact of RDT over board studies makes interesting to understand the role of the boards of directors in exerting their power to provide necessary resources to the organization (Hillman et al. 2000), especially during critical periods for the organization - as a crisis (Reid and Turbide, 2012).

Hillman et al. (2000) present a comparison between the most used agency theory and the resource dependence theory: while the agency theory is mainly set on the problem of monitoring the agent's behavior, the RDT concentrates on the role that managers should cover to connect the firm with external factors and on the influence they should exert to reduce uncertainty. Pfeffer and Salancik (1978) evidenced how as uncertainty increases, the need for external linkages increases and more outsiders directors would be needed on the board.

Each director brings to the organization specific resources and attributes (Kesner, 1988; Kosnik, 1990; Hillman et al. 2000); except their leadership competencies, and their maturity, the main differences are more visible in terms of personal experience, skills, information and external linkages (Baysinger and Butler, 1985).

As Pfeffer and Salancik stated, a board's composition reflects the firm's external dependencies: that means that it is possible to see strategic changes within the board as the external context in which the organization acts changes.

Hence, it is clear that external factors and configurations influence the internal configuration of the board and consequently may have a reflection over board interactions, board performance and organizational performance (Grissom, 2010).

These considerations made on the private sector, are particularly fitting also on the public sector as they are considered as multi-stakeholders structures (Gnan et al. 2013). Public sector organizations are created to fulfil responsibilities of government and are expected to cooperate in the policy development and the delivery of services. Moreover, especially in the last decade, many public agencies are often created under the guise of addressing market failure and are maintained to contribute to the common good. Also for these reasons, public organizations operate nowadays in a much more turbulent and uncertain environment than before. Uncertainty is a force affecting many decisions of the organization. To increase the effectiveness of the decisions it is necessary to reduce the uncertainty of the environment by ensuring the goodwill of key external actors who may affect the action taken into organization through the existence of the resource dependence

between the organization and the same actors. Based on the analysis of the literature it may be stated that for the public organization external stakeholders and the community's support are more important for decision making than economic issues, which are crucial for private organizations. That means public organizations should measure achieved results and present them to the stakeholders so that they are more willing to share their resources with the organization.

To sum up, as both research dependence theory and stakeholder theory are not well developed in the context of public organizations, we believe that examining how management of stakeholders relationships may decrease resource dependence theory may help also to highlight the dynamical aspects of board interactions as in the private domain.

So, this literature review tries to provide an in depth analysis of these interactions both within and outside the boardroom.

#### 4. Research Method

##### *Identification of the Study*

Because of the lack regarding behavioral boards dimensions in the public sector literature – as evidenced from a previous literature review conducted by some of the authors (Hinna et al. 2010; 2014) - we decided to focus our analysis on board dynamics, even considering the need for a deeper understanding on board interactions, emerged from a recent literature review (Hinna et al. 2014), based on the same journals, -

Adopting the same methodological steps, also for this research we focused on the most quoted journals for the public sector and collateral journals of particular interest in terms of international management studies.

We identified the set of relevant journals stemming from the Aidea ranking, which is based on the Journal Quality List and the Impact Factor, as well as some previously well-established rankings (Geary et al. 2004; Harvey et al. 2007). AIDEA distinguishes the following five disciplinary areas: Banking and finance, Public sector Management, Accounting and Control, Organisation, Management and Strategy. Furthermore, within each disciplinary area, the Journals are subdivided into four categories (levels), from the highest to the lowest: A, B, C, D. Consistent with the aim of our research, we analysed only journals that recur in the AIDEA A category.

The time span is set to 1999–2013: as in our previous work, the choice of the starting point is related to the introduction of issues generally referred to in the Public governance concept in the academic international debate at the end of the

1990s, providing a new frame in which the board of directors (in the public sector) might be studied, while the ending point is extended to 2013 to include eventual new results. The analysis is focused on all the journals that recur in the AIDEA A category of both Public sector Management disciplinary area (13 in number) and Organization disciplinary area (13 in number). In addition we decided to take into account other five publications, all included in the Management and strategy disciplinary area, with a specific aim in governance studies, among all the Journals included in the AIDEA list, even in other disciplinary areas.

On this basis, we examined the following international journals:

1. Journals in Public Sector Management

Governance, Health Care Management Review, Health Policy, Health Policy Planning, Journal of Policy Analysis and Management, Journal of Social Policy, Non-profit and Voluntary Sector Quarterly, Philosophy Public Affairs,

Journal of Public Administration Research and Theory, Public Administration Review, Public Administration, Social Science and Medicine, Value in Health.

2. Journals in Organization

Administrative Science Quarterly, Group & Organization Management, Human Relations, Human Resource Management (US), Journal of Management, Journal of Organizational Behaviour, Leadership Quarterly, Organization, Organization Science, Organization Studies, Organizational Behaviour and Human Decision, Organizational Research Methods, Strategic Organization

3. Journals in Management and Strategy

Academy of Management Journal, Academy of Management Review, Journal of Management Studies, Journal of Management and Governance, Corporate Governance: An International Review.

Overall, we analyzed 31 journals (Table 2). We organized the database obtained by creating an excel worksheet for each journal examined.

**Table 2.** List of journals

<b>DISCIPLINARY AREA</b>	<b>JOURNALS</b>
<b><i>PUBLIC SECTOR MANAGEMENT</i></b>	Governance
	Health Care management Review
	Health Policy
	Health Policy Planning
	Journal of Policy Analysis and Management
	Journal of Public Administration Research and Theory
	Journal of Social Policy
	Non-profit and Voluntary Sector Quarterly
	Philosophy Public Affairs
	Public Administration
	Public Administration Review
	Social Science & Medicine
	Value in Health
<b><i>ORGANIZATION</i></b>	Administrative Science Quarterly
	Group & Organization Management
	Human Relations
	Human Resource Management (US)
	Journal of Management
	Journal of Organizational Behaviour
	Leadership Quarterly
	Organization
	Organization Science
	Organization Studies
	Organizational Behaviour and Human Decision
	Organizational Research Methods
	Strategic Organization
<b><i>MANAGEMENT AND STRATEGY</i></b>	Academy of Management Journal
	Academy of Management Review
	Corporate Governance: An International Review
	Journal of Management and Governance
	Journal of Management Studies

As suggested by Siebels and zu Knyphausen-Aufseß (2011), in order to identify the relevant and significant studies, our purpose was to follow a structured six-step selection process:

1. Search of electronic libraries/databases using different keyword combinations.

We carried out the research on the full text papers using various search engines (Jstor, Blackwell Synergy, Academy of Management, Wiley Interscience or simply using the search mechanism of the journal under consideration). To select papers about boards dynamics and board interactions, for each journal we established the following combination of keywords: “board dynamics” AND “public administration”; “board dynamics” AND “public sector”; “board dynamics” AND “public governance”; “board interactions” AND “public administration; “board interactions” AND “public sector”; “board interactions” AND “public governance”.

2. Elimination of substantive irrelevant articles by reading the individual title and selective scanning of the abstract.

We excluded book reviews, forums, interviews and panels, the main reason being that we wanted to focus on research findings rather than on opinion-based manuscripts.

3. Consolidation of results from ‘journal research’ and elimination of duplicates.

4. Ensuring substantive relevance by reading all abstracts of the remaining papers/publications and evaluating their respective.

5. Further safeguarding of relevance and substance by reading the remaining articles/publications in their entirety and discarding publications that fail to address the research questions.

6. Inclusion of additional papers that were identified via cross-referencing during the analysis of the bibliographies of papers/publications retrieved in step

In particular, from the selection phase (step 1 to 5) we obtained 15 papers.

The research for keywords and full text has the advantage of completeness, but the defect of generalization. In a second moment, therefore, we examined each paper in detail to verify the adherence to the topic of the research (step 5).

Within these 15 papers, 3 proved not to be relevant with our research framework (they focus on other themes as , e.g., audit committees and the use of internet in non-profit sector).

Finally, we find additional paper addressing the research question by cross-referencing the 12 papers (step 6), then finding 8 more papers.

### ***Analysis of the Studies***

After the selection in the analysis of the papers, we analyzed and filtered the original database using the

content analysis methodology (Krippendorff, 1980). This methodology consisted in codifying the papers into categories, by selecting those papers that satisfied one of the following two conditions:

1) the papers selected had “board dynamics and board interactions in public sector” as the specific object of the research;

2) the papers selected had “board dynamics and board interactions in public sector” not at the core of the paper, but the paper still gave considerable input to understand ‘boards dynamics’.

The criteria of selection were outlined and discussed exhaustively among the codifiers to eliminate possible areas of uncertainty and ambiguity.

A pilot phase preceded the analysis of our sample. In the pilot phase, a small set of papers was selected by all researchers, within the same subsample. The discrepancies between the codifiers were re-analyzed and the differences resolved. On the basis of this set of selection criteria and decision rules, each researcher independently selected the papers with adherence to the topic of the research.

## **5. Results**

Despite in our previous work (Hinna et al. 2014) - about behavioral perspective in analyzing the board of directors - one of the issues raised and analyzed was about board interaction and board dynamics, this review - based on the use of six different couples of keywords (“board dynamics” AND “public administration”; “board dynamics” AND “public sector”; “board dynamics” AND “public governance”; “board interactions” AND “public administration; “board interactions” AND “public sector”; “board interactions” AND “public governance”) - just found, in the first phase, 25 papers.

Once consolidated the results by eliminating duplicates and non-significant papers, we arrived to a final database of 20 papers.

The journal with the highest rate of results is Corporate Governance (5 papers).

Because of this scarce result, in analyzing issues about board dynamics and board interactions, we included also those papers - exploring the same theme - found in our previous works (13 papers on a total of 84); it is important to highlight that these papers have been found by conducting a literature review with different keywords (“top management team” AND “public administration”; “top management team” AND “public sector”; “top management team” AND “public governance”; “board” AND “public administration”; “board” AND “public sector”; “board” AND “public governance”).

As result of our previous analysis, we highlighted that there was a need of a more in-depth



analysis about the theme of board dynamics, and this specific literature review on this topic, and with these scarce results, evidences how it is still true.

By analyzing the 20 papers, we found that issues about board dynamics and board interactions are often related to topics as board diversity and external pressure exerted on the board.

Hence, even if some papers proved to be borderline and a categorization could be quite a forcing, it is possible to individuate three categories: 11 results are about conflict, power and trust; 5 papers are more focused on aspects as “how” board diversity may influence board interactions”; while 4 papers concentrates on the environmental influence on directors’ performances.

The following sub-sections will now provide the review of the found papers.

### **Conflict, power and trust**

Particularly interesting, within this first classification, are two works by Grissom (2010, 2012) about conflict within boards of public organizations.

The author examines dynamics within the board by considering the impact of extrinsic and intrinsic factors on decision-making conflict: as he defines, “this process leads to opposition among the parties that results in some pattern of actions and reactions”.

Grissom (2010) found that, although the conflict among leaders and team members in private organization has received a good deal of attention, conflict on boards in public organizations has received very little.

Grissom highlights that large degrees of intra-board conflict, by creating tension and antagonism, can lower decision quality and that excessive divisiveness may undermine boards’ efforts to define and achieve common goals and make boards less effective.

The author, in analyzing which extrinsic factors can influence board conflict, points out that “larger boards, boards in more active interest group environments and boards whose members are elected from single-member districts all experience greater conflict” (Grissom, 2010). But he also found that some intrinsic factors make a difference as well: different ideologies, e.g., report greater conflict and more difficult working together, while racial differences report lower degrees of board conflict.

The real interesting analysis conducted by Grissom (2010) is about the causes that lead to board conflict: the author underlines that the accent has always been put on the results and only few studies have focused on the causes of intragroup conflict, as well as just few studies attempted to

identify what factors predict greater degrees of conflict.

In particular, Grissom individuates three extrinsic factors that influence board conflict:

- the complexity of the task environment;
- board structural characteristics (how and what kind of board members are selected);
- the electoral environment in which the board operates (in particular related to interest group activity).

While Grissom has not found an important role played by factors as race and gender diversity on board conflict, relevant intrinsic factors are indeed found in:

- the heterogeneity of membership (as different backgrounds and ideologies): according to the author, it increases the number of alternatives brought to the table, making reaching consensus more difficult;
- Member vision and goals: when individual goals for board action are incompatible, conflict is likely to arise;
- Board decision making process variables, as the use of self-evaluation, delegation of decisions, information sharing within the board.

According to Cornforth (2001), Grissom underlines the importance of good governance practices for board effectiveness, so that recurring to these processes board may encounter less conflict, because “professionalization may serve to bring regularity and routine to the decision making process” (Grissom, 2010).

Van der Walt and Ingley (2003), as Grissom (2010, 2012), evidence that demographic differences lower social cohesion and that social barriers reduce the likelihood that minority viewpoints will be incorporated into group decisions.

Differently from these studies, that analyze board dynamics as result of a pre-constituent situation (board members’ background), Ingley and van der Walt (2005) analyze the board dynamics as an influencing factor over board performance. In particular, the authors analyzed the strategic orientation of the board, highlighting the extent to which individual directors and the board as a whole can actually influence key outcomes and, thereby, their governance contribution.

Through a survey conducted on 3,000 directors in New Zealand, Ingley and van der Walt show the high rate of board involvement in developing the strategy and in shaping vision and mission; these results contribute in evidencing the important role covered by board members in decision-making process and the impact they have on board and organizational performance, even if the authors highlight the fact that “only a small minority [of directors] confirm that their board does have its own strategy as distinct from the overall corporate strategy. This suggests that many New

Zealand boards of directors have not fully internalized the strategic dimension of their role and, with the exception of some of the larger corporations, have not reached a level of professionalism that perceives a need for a strategic approach in relation to the performance of board tasks and activities”.

Maitlis (2004) and Reid and Turbide (2012), indeed, had analyzed the relationships between the board and the staff: the former has analyzed factors through which CEOs influence their boards, while Reid and Turbide have analyzed the relationship in the context of organizational crisis.

Maitlis (2004) highlights that agency theory and managerial hegemony theorists saw CEO influence as typically deriving from measures of board structure and composition (Daily and Dalton, 1994; Pearce and Zahra, 1991; Westphal, 1999): CEOs are seen as exerting influence by determining and maintaining the composition of the board to retain those directors sympathetic to their views or ready to support their proposals.

Reid and Turbide (2012), indeed, point out that agency theory “reflects distrustful board/staff relationships, emphasizes board control, and appears most applicable to the for-profit sector, where relationships are financially framed” and that “Not-for-profit board members are volunteers, unpaid and avocational, often chosen more for their boundary-spanning abilities than for their professional knowledge of the field. In this sector, lack of expertise in the organization’s field of business makes board monitoring difficult”.

Hence, according to the authors, agency-type monitoring in non-profit sector may be impossible: this is why in this context, often, board members appear to develop trust in CEO’s knowledge and judgment, generating CEO influence over the board (Miller, 2000).

Maitlis (2004) evidences that, in the non-profit sector, research has highlighted a variety of structural factors that determine the balance of influence between the CEO and board: e.g, the demographic characteristics of board members, the size of the organization, the perceptions of environmental predictability, the strength of the organization’s executive leadership and the perceived legitimacy, or reputation, of its board members (Provan 1980; Murray et al. 1992; Harlan and Saidel 1994; Saidel and Harlan, 1998).

Different studies have identified various types of board/staff relationships, suggesting a contingency approach (Alexander et al. 1993; Golensky, 1993; Bradshaw, 2002): in fact, as Cornforth (1999) highlights, board’s power over staff is a more complex, dynamic and changing process, affected by both internal and external factors.

Westphal (1998) showed that boards can become less powerful when their independence is

increased. Examining changes in boards over time, Westphal found that a reduction in structural independence prompted CEOs to increase their use of persuasion and ingratiation tactics with their directors. As a result, and counter to the predictions of agency theory, the power of these more independent boards diminished.

Maitlis (2004) puts in evidence the relevance of some studies conducted in non-profit sector (Heimovics and Herman 1990; Herman and Heimovics 1990a, 1990b) that revealed the linkage between organizational success or failure to a CEO’s relationship with his/her board.

“This research suggests that that the most effective CEOs carry out their roles through ‘board-centred leadership’, which includes behaviours such as ‘facilitating interaction in board relationships’, ‘showing consideration and respect towards board members’, and ‘promoting board productivity’” (Maitlis, 2004).

In her work, Maitlis found four key influence process in the relationship CEO/board: exploiting key relationships, managing impressions, managing information, and protecting formal authority.

In particular, key relationships with key directors and organizational stakeholders have an effect on the power that a CEO can exert on his/her board: these kind of relationships help the CEO in being always better informed on any significant matter than any other member in the boardroom, so he/she can easily have influence on them.

Managing impressions, indeed, is about the impression the CEO can project of him/herself to a range of groups/individuals: if the CEO displays a positive impression, based on legitimacy, competence and leadership, he/she would appear like a powerful actor to the board.

The third key process is managing information: here the ability of the CEO stays in his/her capacity to gather, hold and disseminate information to certain key parties at strategically advantageous times.

The last process concerns with the extent to which the CEO can protect his/her formal authority while trying to extend it whether is possible.

Maitlis, then, inserts these four processes into a so-called “set of interconnected process” as a powerful set of influence mechanisms that results by the interplay that takes places from all the actors involved, which sees the CEO exerting influence on the board not only through the more classical tactics as ingratiation, pressure and upward appeals, but through the central role he assumes within the stakeholders’ network.

According to Wood (1992), that individuated three phases during organization life and discovered that board/staff relationships varied over time, Reid and Turbide (2012) analyzed these relationships in the context of organizational crisis.

As Wood, they also identified three phases: “before the storm” the board has high trust in the executive leadership, so it disengages its active involvement and collaboration with the staff; when “the crisis trigger”, board members alter their behavior, their trust in the CEO becomes distrust, and assume the organization control by entering direct into contact with stakeholders bypassing the executive staff; in the last phase, “continued survival”, once the organization is stabilized, the board moves into a more mature and collaborative relationship but characterized, as defined by Reid and Turbide (2012), by a mixture of trust and distrust.

### **Board diversity**

This category deals with those papers that analyze board interactions and dynamics more focusing on board diversity in terms of gender, cultural and professional background.

Many studies have concentrated on this issue to explain board performance and relationship with the external context (Goodstein et al. 1994; Milliken and Martins, 1996; Gabrielsson and Huse, 2004).

Meier et al. (2006) analyze the different gender interaction with basic managerial function to affect the organizational performance.

The authors found that management and gender interact, and they state that especially researchers on public management should take into account these findings. In fact, women managers seem to manage better upward (in terms of leveraging results from political overseers), while they generally get lower results from managing downward and outward than do their male counterparts.

On the opposite, Rose (2007) has conducted a study upon all the Danish listed firms to verify female directors impact on organizational performance: his study has shown that “gender in relation to board composition does not influence firm performance”.

Van der Walt and Ingley (2003) focus on the implications that board members’ different characteristics may have on the decision making process.

The authors put in evidence board diversity by pointing out that “As a group, a board of directors combines a mix of competencies and capabilities that collectively represents a pool of social capital for their organization”. This diversity may be represented by different directors’ characteristics as age, gender, ethnicity, culture, religion, knowledge, professional background, life experience, technical skills and expertise (Van der Walt and Ingley, 2003; Gazley et al. 2010); thus, according to the authors, board diversity refers to the mix of human

capital that a board of directors comprises collectively and draws upon in undertaking its governance function. The aim of introducing greater diversity within the board is to better balance different skills and attributes that are needed for decision making, but also to reflect societal characteristics: “New Governance” scholars, in fact, observe the importance of stakeholder and citizen participation in public policy making (Naff, 2001; Bingham et al. 2005; Gazley et al. 2010).

Van der Walt and Ingley (2003) cite an interesting research by Fondas (2000) about implications on decision making: this study reveals that boards with larger proportions of women are less inclined to let CEOs dominate proceedings and more likely to engage in power sharing; this kind of boards have significantly more influence over management decisions than boards without female directors.

Furthermore, Fondas (2000) evidence another important aspect: female directors may encounter barriers to exert their role in the strategic function; in fact, according to Bilimoria and Piderit (1994), women serve predominantly on less important and less strategic board committees (e.g. public relations), while men tend to serve on committees with a larger strategic role (e.g. executive, remuneration, finance).

Another interesting point is raised by Carver (2002): to let diversity flourish, it must be accepted to examine all ideas, regardless of origin, otherwise the variety of opinion can become so suppressed or strident as to become ineffective.

Starting by these considerations, Van der Walt and Ingley (2003) come up to the conclusion that it is important to facilitate diversity, but to optimize the richness of diversity, this variety should be assimilated to speak as one voice.

Bradshaw and Fredette (2013), indeed, has studied board diversity as a consequence: they tried to analyze which factors influence on the appointment of directors from different ethno-culture in non-profit organizations. Coherent with resource dependence theory (Pfeffer and Salancik, 1978), they found that macro-contextual/environmental factors have impact on board diversity, in particular the diversity extent in the community in which the organization operates. Findings also show that these kind of organizations benefit from embedding and institutionalizing board diversity; furthermore this formalization contributes to improve boardroom diversity.

Board diversity which is limited, according to de Cabo et al. (2011), by the percentage of female manager in the firm: the more this presence is low, the less it will be the presence of female directors on the board.

## **Environmental influence on board performances**

Many relevant studies have identified the important role played by the external context in influencing organizations and their activities (Pfeffer and Salancik, 1978; Powell and DiMaggio, 1983; Meyer and Rowan, 1977).

The role covered by directors in this “relationship” with the external context has been often seen as a role of co-optation for the organization (Pfeffer and Salancik, 1978): their expertise and influence with community forces can help the firm to avoid conflicts with the interests of this groups and to avert threats to the firm stability or existence (Selznick, 1965). This role played by directors serves also to legitimate the firm, and the level of prestige associated with a community influential director could be used to measure the extent to which the director brings legitimacy to the firm (Hillman et al. 2000).

Long (2006) evidences how environmental factors have been determinant in affecting board activities in UK: e.g, reforms have changed the number of independent directors, addressed chairman/CEO duality, and imposed age, term and compensation arrangements for executive and non-executive directors.

Because of several important board failure in the recent history and the consequent need to know more about board conduct, corporate compliance, responsibilities, performance pressure and visibility levels on boards of directors have increased: in fact, boards are expected to demonstrate to shareholders and stakeholders the quality of their decision making process, their ability to exercise corporate control, their capacity to understand and interpret the changing in the external context, and their willingness to regularly review their architecture (Demb and Neubauer, 1992; Pearce and Zahra, 1992; Blake, 1999; Long, 2006).

As stated by van der Walt and Ingley (2001) “board of directors are facing new challenges in the 21st century which demand a greater understanding of technological advances, social pressures and international competitiveness”.

According to Conger and Lawler (2001), each board has unique competences and requirements and respond to stakeholders’ needs, organizational issues and economic cycles in different ways; thus interactions could be different for each board, also depending from the different level of responsibility.

De Cabo et al. (2011) have analyzed factors influencing women appointment on Spanish companies’ boards: one main factor they found is the presence of female directors in the industry; the more this percentage is low, the more it will be the unwillingness to appoint women on the board, thus confirming how external pressures and factors can have influence on board composition.

## **6. Discussion and Conclusion**

The aim of this paper was to analyze board interactions and board dynamics within public organizations through a resource dependence approach.

Our paper contributes to raise the question about understanding the role of board directors and their interactions/dynamics both with internal and external actors.

Hence, we have analyzed the most relevant contributions showing external factors conditioning organizational life and performance: by this analysis, it is clear the relevance of the impact both on the role covered by board directors and on the results that the organization can reach (Dalton and Daily, 1998; Dalton et al. 1999; Finkelstein and Mooney, 2003).

We have highlighted that, despite its importance in explaining relationships between board directors and both internal and external stakeholders, the resource dependence theory does not find an application in the public sector as in the private one.

Thus, we have underlined how external influence is even more relevant for public organizations, which activity is particularly affected by a wider range of stakeholders than private organizations.

These considerations are at the basis of our work, to evidence how the resource dependence theory may in a good way explain the relationship with the external context and how this relationship can influence on internal board dynamics and performances.

Then, we have presented the results of the literature review with the aim to comprehend if, and in which terms, literature has specifically addressed the issue of board dynamics and board interactions within public organizations.

Despite the literature review is conducted by using six different couples of keywords, the results show there are really few works specifically dealing with this theme: just 12 papers were found on a set of 31 journals.

These findings confirm that in the public debate the theme of board dynamics is not addressed as in the private domain.

Anyway, what appears clear by the even few found papers, is that several authors refer to the relationship between the board and the external context: even if they don’t refer directly to the RDT, the accent on the external context confirms our idea about the important analysis approach that the resource dependence theory may also give to the public debate on boards.

In particular, our work has tried to take into account a resource dependence approach, to highlight the role directors cover, especially in multi-stakeholder structures as public organizations

may be defined, and to verify if this approach could also explain some sort of linkages between the external relationship and internal board dynamics/interactions.

An important point to highlight is that only a part of the findings deals with “real” dynamical issues of the board, and that even some aspects that at first glance may appear as “dynamical” issues (e.g. diversity), by deepening analyzing them, it is possible to evidence that they look more static than dynamic.

In particular, by analyzing the results, what comes out is the fact that some internal dynamics are explained by the influence of external factors: for example, board composition and board diversity often are influenced by the context in which the organization acts (in terms of gender, professional background, ideologies, etc...).

With the exception of few works (Maitlis, 2004; Grissom, 2010), what seems not investigated are the interactions within the board: with this concept, we refer not only to internal dynamics explained by external factors, but even to those dynamics and interactions that stem out by human and behavioral interaction within the board.

Thus, due to the lack in literature, our findings indicate as interesting issue to address in future a specific focus on dynamical aspects within the board, also by taking into account the behavioral perspective.

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