PhD Thesis

Exploring Family Business Boards

Name: Rebecca Fakoussa

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'If you can't explain it simply, you don't understand it well enough.'

Albert Einstein

Abstract

Family businesses make significant contributions to gross national product, employment and wealth creation in countries around the globe. In the UK, a third of businesses are regarded as family businesses. Yet despite their economic importance, much of the current legislation on boards (eg Companies Act 2006) fails to recognize the uniqueness of family businesses and their boards.

This study explores the diverse approaches to governance within small and medium-sized family businesses (SMFBs) in the UK. It draws on original evidence gathered from 8 case companies by means of longitudinal study and semi-structured interviews. It employs rich narrative, thematic case and cross case analysis to identify similarities and differences between boards using a spectrum of boards and investigates the influence of board roles and show internal dynamics affect directors and their roles during the decision-making process. Building on prior literature, which suggests that boards significantly influence the behaviour of SMFBs, this thesis identifies the importance of family, business and family business aims and stage of the business. It also identifies the importance of, education and skills and relationship using dyads while highlighting the nuances and shifting dynamics of director's relationships.

The findings are used to develop a family business board model which adds to our understanding of how SMFBs function. Finally, it suggests how the new framework might be developed to support SMFBs identify and implement governance structures, and examines the policy and praxis implications of the findings.

The thesis demonstrates that family businesses set up their governance around the aims of their business and that informal roles impact on the running of the board which is currently ignored in legislation and 'best practice' suggestions which tries to suggest 'one size fits all'.

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Note to the reader:
Throughout this research various words have been used interchangeably for stylistic purposes. They are in no way indicative of size, geographic location or preference. These include:

- Aims or goals
- Business or Firm or Company
- Executive Director or Inside Director
- Non-Executive Director or Outside Director
- Chief Executive Officer (USA) and Managing Director (UK)

Similarly, please also note that his and her has also been used interchangeably for stylistic reasons and to avoid his/her or he/she throughout the text.

List of Abbreviations

BoD – Board of Directors
CEO - Chief executive Officer
ED – Executive Director
EU – European Union
IOD – Institute of Directors (UK based organisation)
NED – Non-executive Director
MD - Managing Director
ROE- return on equity
ROI(C) - return on invested (capital)
SME(s) – Small and Medium Enterprise(s)
SMFB(s) – Small and Medium sized Family Business(es)
TMT - Top management teams

Glossary of terms

FTSE100 or FSTSE250: Quarterly updated top 100 or 250 public companies listed on the London stock exchange based on their total value of issued shares.

Glass ceiling: An 'invisible but real barrier, through which the next stage or level of advancement can be seen, but not achieved by a section of qualified or deserving employees. Such barriers exist due to implicit prejudice on the basis of age, ethnicity, political or religious affiliation, and/or sex (Business Dictionary, 2008).

Gender: see Sex

Interlocking Directorates: the practice of corporate Board of Directors members serving on the Boards of multiple companies.

Nepotism: Favouritism, in business, shown on the basis of family relationships.

Sex: is defined as the biological and physiological characteristics that define and differentiate men and women, while Gender refers to the socially constructed roles, behaviours, activities, and attributes that a given society considers appropriate for men and women, which can vary according to culture. However, for the purpose of this study the word gender has been used to replace sex in line with similar research on women (e.g. Sealy et al, 2008)

Shareholders: an individual or organization who owns stock or shares in a company. They have limited liability.

Token or Tokenism: the inclusion of a member of a minority group within a larger group as a gesture only. A token woman or non-family member may be included in a predominantly male/family member setting not because of their value to the group, but because the people forming the group are somehow obligated to have 'others' represented (see Kanter, 1977).

1 Chapter 1

1.1 Introduction

This study examines the activities of boards of directors within small and medium family businesses (SMFBs) in the UK. Many of the existing best practice models have been derived from American corporate literature, but it has been suggested that these are unsuited to SMFBs (Corbetta and Salvato, 2004b). Accordingly, this research seeks to develop a deeper understanding of board dynamics and processes within UK SMFBs with the ultimate aim of developing a detailed board model for use by academics, researchers, practitioners and SMFBs themselves. This is an under-researched area, partly because it is difficult to gain access to board members, who are reluctant to reveal valuable insider secrets, and partly because many directors lack confidence in their own abilities.

Family Businesses (FBs) represent the majority of all businesses globally (Astrachan and Shanker, 2003; IFERA, 2003). In countries across the world, they contribute significantly to economic production (GDP), employment and wealth creation (La Porta, Lopez-de-Silanes and Shleifer, 1999; IFERA, 2003). In the UK, FBs account for two-thirds of firms in the UK private sector (over 3 million family businesses). These generated revenues of £1.1 trillion in 2010. In other words, 35% of turnover in the private sector. Both in the UK (IFB, 2011; Martin et al., 2008) and globally, the majority of these family firms are small or medium-sized (Donckels and Fröhlich, 1991; Corbetta and Montemerlo, 1999); nevertheless, they have a major impact. UK family businesses provide around 9.2 million jobs, or 40% of employment in the private sector (IFB, 2011). This makes family firms the largest source of employment in the private sector; according to the Institute for Family Business: 'this is around 50% more than the entire UK public sector' (IFB, 2011:2). The IFB's research (2011) shows that FBs make up at least half of all firms in each UK region. Given their significance, there is a clear need for research which can support family firms and their employees, especially in the current economic climate.

This chapter provides the introduction and background to the study. It begins by demonstrating the importance of SMEs and family businesses to the UK economy and discussing the board's role as a governance mechanism. The main body of the chapter presents a preliminary overview of the research that has been done so far in order to identify the key concepts and highlight current research gaps. The chapter concludes by explaining how this study addresses some of these gaps and setting out the research aims and objectives.

1.2 Family businesses and their governance: general background

Despite FBs being the dominant form of business organization in many countries (Villalonga and Amit, 2006), this is a relatively new research area. It is only recently that scholars have begun to investigate the phenomenon of family businesses more closely (Moores, 2009; Bird et al., 2002). For example, studies have shown that family businesses make higher profits in the long term (Barontini and Caprio, 2006; IFB, 2008; Voordeckers et al., 2007) and that they have higher rates of staff retention (Tagiuri and Davis, 1996), stronger values and longer time-horizons (IFB, 2008; Collins et al., 2009). Dyer (2003) notes that although most firms worldwide are family firms, the 'family component' has often been neglected in organizational research. Others go further, concluding that 'omitting the family as a variable in organizational research can lead to incomplete and misleading findings' (Voordeckers et al., 2007:3).

Scholars see family business research as a discrete research area because of the unique nature of these businesses, shaped as they are by the family/business dynamic. However, family business researchers face two key difficulties: the lack of differentiation between family and other businesses in mainstream entrepreneurship and governance research, and the fact that there is no consensus on how the term should be defined.

There exists a level of ambiguity as to what a family business is and is not. The term 'family business' has been defined in several ways in the literature. Rosenblatt et al. (1985) define a family business as any business where the family has majority ownership, influences decisions about management, and where two or more family members are employed and actively participate in the management of the firm. It has also been defined as a company in which 'the majority of votes are held by the person who established or acquired the firm or their spouse, parents, child or child's direct heirs' and 'at least one representative of the family is involved in the management or administration of the firm' (Finnish Ministry of Trade and Industry, 2004, quoted in IFB, 2008:2). There have been calls for the research community to adopt a single definition so that their results might be compared more easily (Astrachan et al., 2002); indeed, it might be argued that the confusion about definition has impacted the research that has been done so far. Corbetta and Salvato (2004a) assert the importance of having a clear definition of FBs, arguing that different types and size of business should not be considered in the same manner; after all, family businesses can range from small, local bakers to multinationals like Associated British Foods (AB Foods). It is also worth noting that 30% of family firms successfully transition to the second generation, with 12% surviving into the third generation and 3% continuing into the fourth generation and beyond (Shanker and Astrachan, 1996). This is proportionately more than non-FBs (BIS, 2011). FB unique dynamics raises the question do FBs have different needs than non-FBs from their governance structure? And how is the generational impact considered within SMFB board research?

The Board of Directors is one of a number of internal governance mechanisms that are intended to ensure that the interests of shareholders and managers are closely aligned, and that ineffective management teams can be disciplined or even removed (Kang et al., 2007). The Board of Directors, dubbed the 'head of the fish' by Garratt (1997) and the 'fountain of power' by Sundaramurthy and Lewis (2003), is the apex of the company and its strategic leadership (Institute of Directors, 2011). In SMEs[1] in particular, there is growing evidence that the board may be an important company asset (Certo, Daily and Dalton, 2001; Gabrielsson, 2007); it can add an important strategic dimension to a small firm (Brunninge, Nordqvist and Wiklund, 2007; Zahra, Filatotchev and Wright, 2009) and influence value creation (Certo, Daily and Dalton, 2001; Huse, 2000). It should be noted at this point

[1] Since FBs make up 60% of all businesses in the UK, it is reasonable to infer that a significant proportion of SMEs are family businesses.

that while researchers may define value creation in terms of ROI, ROA or similar financial measures, this does not need to be how value is understood in a family business, since these firms generally have both financial and non-financial aims (Stafford et al., 1999; Olson et al., 2003). Non-financial measures, which are subjective, include autonomy, job satisfaction, the ability to balance work and family responsibilities (Walker and Brown, 2004) or to provide employment for family members, helping or being part of the community (Astrachan et al., 2008), fostering family cohesion and maintaining the family legacy (Carlock and Ward, 2001). In addition family businesses may have short and long term financial goals: short-term such as paying wages or long-term financial goals such as providing employment for the family and expanding. These different financial and non-financial aims and timescales show the difference to non-family firms and raise the question do SMFB boards have differing boards, board meetings and agendas? And does the family dimension influence the board?

The Board of Directors can be divided into executive directors (who are part of the company's management team) and non-executive directors. These are independent advisors whose role is to protect the long-term interests of the company and its stakeholders (Higgs, 2002). The roles of the board are 'to define (if necessary), review (annually) and articulate (clearly) the vision, mission and core values of the organisation' (Garratt, 1997; Barrett, 2003). Research shows that while SMFBs are mostly controlled by the family, who may or may not work in the business, the composition of the board and number of outsiders varies according to the generational stage of the business (e.g. whether it is first generation (founder) or a second generation sibling partnership).

Directors' rights and liabilities and the rights and liabilities of the board are set out in the Companies Act 2006, part 10, chapter 2, sections 170-177 (Companies Act 2006). The act was the first attempt to clearly define the role of the director and to differentiate between managing and directing a company (Barrett, 2003). It stipulates a number of duties that must be performed by directors, assuming that the board as a whole will possess a range of skills and be able to take on a variety of roles. It is these differing duties and roles that may influence the board, the agenda and meetings, especially in SMFBs where multiple duties and roles are played simultaneously. For example: An MD could be in multiple family roles as a son, husband, brother as well as a shareholder and Chairman. These multiple roles and duties in law, the business and the family are what make SMFB boards so unique and remarkable and more research is needed to discover what is happening inside boards. Further, family dynamics mean Directors and boards may have to handle questions which go beyond what is normally expected. For example, is there a next generation? Do they want to be involved, and how? And ultimately, does this change the business's strategy or board make-up?

1.3 Previous board research: an overview

Previous governance research on organizations, has mainly focused on corporate boards and investigated areas such as director tenure (Hermalin and Weisbach, 1991), the frequency of board meetings (Vafeas, 1999), board dynamics and appraisal (Filatotchev, 2007; Ingley and Van der Walt, 2002), board composition, board characteristics and boards' impact on firm performance (Lorsch and MacIver, 1989; Daily and Dalton, 1993; Muth and Donaldson, 1998; Forbes and Milliken, 1999; Kula, 2005; Gabrielsson, 2007). Results have varied, both in general governance research (Hermalin and Weisbach, 2003; Adams et al., 2010) and in family firm governance research (see O'Boyle et al., 2012). Nevertheless, despite the lack of conclusive evidence, this research has influenced legislators; it is visible in agendas which appear to focus increasingly on using board structure to improve governance (for example by increasing the ratio of outsiders and discouraging CEO-chair duality). It is particularly troubling that this research, which has mainly been based on secondary quantitative data, has largely failed to understand the needs of SMEs and SMFBs.

Scholars have called for more in-depth research into the complex processes, relationships and dynamics of boards. They have argued the need to look beyond the current, inconclusive research linking demographics and firm performance (Daily et al., 2003), for example by using different units of analysis to better understand how boards of directors actually work (Dalton and Dalton, 2011). Examining various demographics linked to firm performance has been called 'input-output' research (Bezemer et al, 2013), in which surface-level approaches are used to deduce increasingly complex relationships between demographics and firm performance (Daily et al., 2003; Soobaroyen and Mahadeo, 2012, Vafeas and Theodorou, 1998). Authors agree that boards should be examined differently to the previous limited 'input-output' research (Daily et al., 2003; Pugliese et al., 2009; Van Ees et al., 2009). It has been suggested that greater insight is needed into the organizational context of boards (Pye and Pettigrew, 2005; Roberts et al., 2005; Rutherford and Buchholtz, 2007) and into how they function (Forbes and Milliken, 1999; Finkelstein and Mooney, 2003; Pye and Pettigrew, 2005; Zona and Zattoni, 2007) in order to improve understanding of board dynamics and their impact. Further, Roberts et al. (2005) suggest that alternative theoretical perspectives could also help explain governance phenomena and board behaviours.

Governance researchers have traditionally examined boards through the lenses of agency theory (Jensen and Meckling, 1976; Eisenhardt, 1989; Pugliese et al., 2009), stewardship theory (Muth and Donaldson, 1998) or stakeholder theory (Luoma and Goodstein, 1999). However, small and medium firms and family firms are often characterized by concentrated ownership (Randoy and Goel, 2003), which has led a number of scholars to challenge the suitability of agency theory in this context (Schulze, Lubatkin and Dino, 2001; Uhlaner, Floren and Geerlings, 2007). Researchers looking at boards in family businesses have also argued that agency theory might not be appropriate (Lester and Cannella, 2006) here because such businesses often prioritize long-term aims such as succession, the preservation of family wealth and employee wellbeing.

Instead, scholars now believe that using a range of approaches, methods and theories is the best way to extend our knowledge of boardroom realities (Van Ees et al., 2009) and deepen our understanding of boardroom processes, and to help policy makers and businesses achieve best practice and effective governance. In terms of family businesses, researchers suggest using a range of theories such as systems theory (Machold et al., 2011), firm theory (Kaufman and Englander, 2005), contingency theory (Huse, 2005) or the three circle model (Tagiuri and Davis, 1996) to ascertain the significance of the family element. More generally, while Simms (2004) recommends psychometric testing and profiling, arguing that directors should be aware of their own and their fellow directors' strengths and weaknesses, others suggest opening up the 'black box' of the boardroom in other ways: Bezemer et al. recommend adopting a multi-theoretical perspective (2013), Huse advocates qualitative interviews and case studies (2005) and more recently recommends cross-disciplinary research (2011). Thus using a variety of new approaches, theories and techniques. There have been calls for research which documents what actually happens inside and outside the boardroom – by gathering primary data from direct observations, interviews and surveys (e.g. Brunninge, Nordqvist and Wiklund, 2007; Huse, 2007; Huse and Zattoni, 2008; Machold et al., 2011; Machold and Farquhar, 2013). However, access to boards is a reoccurring researcher issue, and is argued as a reason for why 'very little is known about the relational dynamics in and around the boardroom' (Pettigrew, 1992:178).

The need to understand the complex workings of family business boards, where family, business and management overlap (Tagiuri and Davis, 1996) and personal ties and emotional ownership may play a role, has led to calls for further research in this area using new methods and theories. Further, research argues that the role of the board of directors is more decisive than in smaller family firms (Castaldi and Wortman 1984, Nash 1988, Ward and Handy 1988, Ward 1992). This research aims to answer these calls by identifying empirical examples of the full spectrum of FB boards and developing a comprehensive board model (Corbetta and Salvato, 2004). It takes the case study approach, using the board as the unit of analysis. The ultimate aim is to gain greater understanding of the role(s) played by directors and boards in family businesses.

1.3.1 Boards and governance

Boards of directors are a key governance mechanism in businesses (Garratt, 1997). They have attracted greater attention since the financial crisis, which has exposed ineffective monitoring mechanisms and governance practices which have led to disaster in many companies (Radelet and Sachs, 1998). Although the lack of transparency in many companies' accounts has been largely blamed on the financial incompetence of boards rather than deliberate malfeasance, observers have highlighted the need for 'honesty and integrity' among directors (Maier, 2009). Similarly, the revised Combined Code of 2006, which incorporated the Cadbury Report (1992), the Higgs Review (Higgs, 2002) and the Tyson Report (Tyson, 2003), stipulated that boards should be more transparent about their procedures and reports (Maier, 2009). It has been argued that the Code, initially intended for public companies, has also been applied to private companies and best practices 'handed down', even though they may not be suitable for SMEs (Lane et al., 2006). Further, many family business researchers argue, these Best Practises and codes can be detrimental to family businesses as they do not take into account the centralized power, multiple roles and family dynamics as well as the potential limited resources that exist within SMEs.

However, despite the new legislation, the attempts to promulgate best practice and the increased transparency, scholars have found that little has changed in boardrooms. Carter and Lorsch (2004:15) quote one director as saying: 'Our Board satisfies all requirements of Cadbury, Greenbury and Hampel, but our board meetings are a complete waste of time'. Huse (2007) suggests that the increased regulation and advice are seen by directors as additional boxes that need ticking, rather than as things that might create value for their business . Public debate tends to focus on public boards because of their size and impact; even so, high profile scandals such as those involving the Maxwell Corporation (1991), Enron (2001) and Parmalat (2003) and the visible failures of governance which led up to the credit crunch (The Economist, 2003; Lockhart, 2004) have highlighted how little is known about how boards work and how decisions are made in public companies. It has been left to institutional investors and other stakeholders to strongly criticize corporate boards of directors after the fact for failing to meet their legal responsibilities to monitor and control management decision making on behalf of shareholders (Westphal, 1998). This is further amplified in SMFBs where the range of shareholders and stakeholders can vary depending on factors such as the age of the company or the composition of the family placing further pressure on the board as directors diverse aims.

Although boards are under pressure to perform by stakeholders (eg shareholders, employees), there are no standard ways of measuring their performance and no particular qualifications or targets for board members (Barrett, 2003). Boards of directors are held accountable for their actions by the law (Companies Act 2006) and by shareholders. While boards in public companies face growing criticism from shareholders dissatisfied with their competency, perceived corporate greed and falling shareholder value (Sherman and Chaganti, 1998; Vint et al., 1998), boards in family businesses are more likely to be judged by how successful they are at harmonizing the family's strategic vision and values with those of the company. At the same time, boards have also come under increasing scrutiny from academics as awareness has grown that the theory of how boards operate and how they operate in practice appear to be very different.

While Corbetta and Salvato (2004) acknowledge that no single board model will suit all businesses, previous research suggests that boards, their meetings and directors are actually broadly homogeneous across industry sectors (Tricker, 2009). However, as family researchers point out, family businesses differ radically from larger corporations – and from each other – in terms of make-up and dynamics. Astrachan et al. (2006) theorize that boards in family businesses may have significantly different levels of involvement from one company to the next, from catalytic to rubber-stamping the decisions of others. Further, Calabrò., and Mussolino (2013) showed that formal and informal governance mechanisms can co-exist complementing and supplementing each other. Notwithstanding this diversity, research conducted among UK, family-controlled PLCs has shown that family businesses outperformed their FTSE peers by 40% in terms of shareholder returns in the period 1999-2005. The data, which was gathered from the Family Business Index (Poutzioris, 2006), seems to suggest that good governance, family, strategic vision and values can be successfully combined with financial returns. It raises the question: What can we learn from family businesses and their approach to governance?

1.3.2 SME boards

Some suggest there is growing recognition of the role played by the board in the success of both public and private companies (Epstein and Roy,2004; Cadbury Report, 1992; Pfeffer, 1972). This has led to several countries issuing guidelines and recommendations on best practice and board composition in Europe (Cadbury, 1992; Preda Code 1999, revised 2002; Higgs Report, 2003; Combined Code, 2003) and beyond (OECD Principles, 1999, revised 2004; ICGN Principles, 1999). Awareness is also rising that SMEs need their own codes, recommendations and support, and this has led to the creation of more specific guidelines to aid SMEs with issues such as diversity and recruitment (Institute of Directors, 2011; European Parliament, 2011). However, the paucity of research on SME boards (Martin et al., 2008, Hankinson et al. 1997) has left it unclear whether SMEs are actually following these guidelines. This lack of research is all the more surprising given the critical role SMEs (and SMFBs) play in the UK economy (Federation of Small Businesses, 2013); the UK has an estimated 4.9 million businesses, with small and medium-sized enterprises (companies with fewer than 250 employees) together accounting for 99.9% of all enterprises, 59.3% of private sector employment and 48.1% of private sector turnover. According to the FBN International Monitor, around 40% of SMEs are owner-managed, 45% of SMEs are family-managed and 15% of SMEs are family-controlled (IFB, 2008; IFB, 2012), making two-thirds of all SMEs family businesses.

While it is unclear how many SMEs have clearly defined legal boards (Martin et al, 2008), research shows that boards add value in numerous ways (Coulson-Thomas, 2007). In the current economic climate, SMEs in particular are becoming increasingly aware that a strong board with good governance practices can not only deliver economic growth (Healy, 2003; Institute of Directors, 2011) but can also attract investment capital, improve valuations and share price performance, and provide better long-term shareholder returns (Vint et al., 1998; Lee, 2001). Coulson-Thomas, (2007) findings suggest that a 'board of directors' was perceived as more appropriate for larger companies with external shareholders, and to be about compliance rather than business building. Yet he points out that, one should not assume that a board will necessarily make a significant contribution (Coulson-Thomas, 1993; Coulson-Thomas, 2007a) as it is suggested that most companies are not getting full value from their boards (Thomas et al., 2007). This further strengthens the case for research into board practices in SMEs and SMFBs; such research will not only increase academic knowledge but may be of value to the economy.

Despite the importance of the SME and FB sectors and the repeated calls for further research, comparatively little is known about the internal processes of boards within these sectors (Martin et al, 2008). Research on boards has concentrated chiefly on large, publicly traded companies, where information about companies, their boards and individual directors is readily available in the public domain (Higgs and Dulewics, 1997a). The majority of authors acknowledge the difficulty of obtaining access to boards (Johnson et al., 1996; Higgs and Dulewics, 1997b; Higgs, 2007; Kilduff et al., 2000; Leblanc and Gilles, 2005; Bezemer et al., 2013). Judge (2011) suggests this has left researchers relying too heavily on secondary data about their structural and compositional dimensions. Gaining access to SMFB boards can be even more difficult, since boardroom and family secrets may be inextricably linked.

Among those researchers that have focused on SME boards, the first to conduct a large scale quantitative analysis of UK SME boards were Martin et al. (2008), who used FAME (Financial Analysis Made Easy) to gain an overview of SME board diversity in the UK. Other SME board researchers have compiled individual case studies (Huse, 2000b) and conducted qualitative interviews with individual directors (Higgs and Dulewicz, 1997a; 1997b). Currall et al. (1999) took 10 years to complete an in-depth study of the inner workings of boards. Their five year long observation used individuals, topics and verbal contributions as units of analysis; the other five years were spent analysing the results. Samra-Fredericks (2000a), meanwhile, took twelve months to collect data for his in-depth ethnography of the board of one UK manufacturing company. The length of time taken in these studies to collect and analyse primary data may explain why governance researchers tend to use secondary data. Gaining access to boards and winning directors' trust may be the major barriers to board research, but the cost (in both time and money) of collecting sufficient primary data can also be prohibitive.

1.3.3 Board diversity

The issue of board diversity is of growing interest to academics and policy makers (Davies Review, 2011; Bebchuk and Weisbach, 2010). It relates to directors' 'educational and functional background, industry experience, social connectedness, insider or outsider status, gender, and race' (Carter, et al., 2003:111). Research has identified both the positive and negative consequences of having a diverse board. The positive effects of diversity include increased creativity and innovation; access to a range of perspectives (Adams and Ferreira, 2009); greater access to resources and connections; improved public relations, investor relations and legitimacy; and more effective problem solving (Carter et al,. 2003). The negative effects can include discord, lack of cooperation, poor communication and conflicts of interest (Forbes and Milliken, 1999; Brammer et al., 2007).

Despite these mixed findings, diversity is being promoted in many countries. In the UK, the Corporate Governance Code includes a 'comply or explain' clause (Corporate Governance, 2003), and diversity is actively encouraged (Institute of Directors, 2011; Cadbury, 1992; Higgs, 2003). In other European countries, diversity is enforced by law; in Norway, for example, 40% of company directors must be female. Opponents of enforced racial or gender quotas argue that it may result in the hiring of inadequate, insufficiently qualified or experienced directors, some of whom may find themselves serving on multiple boards and in their (Adams and Ferreira, 2009; Sealy et al., 2011).

In the UK gender diversity on Boards has been promoted in recent years. The publication of the Lord Davies Review (2011) and the fortieth anniversary of the Equal Pay Act (Equal Pay Act, 1970) have served to refocus media attention on the issue of gender equality. While women represented 56.8% of all graduates in 2004 (Graduate Prospects, 2005) and 46% of the workforce in 2009 (Equal Opportunities Commission, 2009), they are still in the minority on boards and under-represented at top management level (Equal Opportunities Commission, 2008). Many complain that they reach a 'glass ceiling' or are unable to penetrate the 'old boys' network' (Burke, 1997, Lalanne and Seabright, 2011). Less than 10% of FSTE100 board members are women, but there is no comparable data for SMEs. In family businesses, the issue of female representation on boards is complicated further by factors such as nepotism, gender of children and birth order. In many SMFBs, women are still seen as making their contribution at home – as the bearers and nurturers of the next generation – rather than in the boardroom (Cole, 1997). The role of women in FBs is another under-researched area; so far, researchers have suggested that women play 'invisible' roles (Cole,1997) or the role of nurturer (Dumas, 1998).

Diversity has also been seen to be encouraged in the UK through the inclusion of non-executives on boards. These are directors who are not employed by the company but who are brought in so that the board can benefit from their experience, skills, networks and impartial perspective. Weir and Laing (1999), Young (2000) and Dayha et al. (2002) all report that following the Cadbury Report (1992), the increased number of non-executive directors significantly changed UK board structures. However, the Higgs Report (1993) suggested that more could still be done to encourage diversity, a view that was echoed in the most recent review by Lord Davies in February 2011. The Davies Review refers to public boards, but commentators have drawn on US public board research to argue that SMEs should aim for similar diversity. This research aims to add to the knowledge of diversity in SMFB boards and to develop deeper understanding of how diversity may affect SMFB boards.

1.3.4 Family businesses: their uniqueness

While some similarities may be drawn between non- family SMEs and SMFBs, for example many SMEs are highly influenced, if not dependent on a single decision maker; in most cases the owner/manager (Daily and Dollinger 1992, Harris, Martinez and Ward 1994, Feltham, et al. 2005), family businesses differ. from non-family businesses in numerous ways. This includes age, size, employee turnover, asset size, industry, location, growth (Jorrisen et al., 2009), strategic aims (Gudmundson et al., 1999), systems (Tagiuri and Davis, 1996) and performance (Pannikos, 2006). It is the re-occurring differences between family and non- family differences that shows further research is needed into FBs and their governance. As mentioned previously, this research field is complicated by the lack of a commonly agreed definition of what constitutes a family business; Sharma, Chrisman and Chua (1996) found 34 different definitions, implying varying degrees of ownership or management by the family and potential to transfer the business from one generation to the next. Fundamentally, it is the family involvement and their behaviour which make the firm distinctive (Chrisman et al, 2005: 557). Habbershon and Williams (1999), meanwhile, suggest that every FB has a unique set of resources. These are the result of the interactions that occur within the family as a whole, between individual family members, and between the family and the business. This set of resources, including the unique skills within the business and the brand image, they call 'familiness'. This is the intellectual capital or resource capital which permeates the company.

Daily and Dollinger (1993) state that, in their desire to protect their businesses, the management style of family members tends to be stronger and more conservative, which makes it less reactive towards environmental changes. However, Ward and Carlock (2001) suggest three philosophical orientations for family businesses: business first, family first and family enterprise approach which could influence their management and governance style. Some family members are born into FBs and generally grow up in and around them. They are expected to understand and embody the values of the FB as their social responsibility (Gallo et al., 2006); many are taught from an early age to see themselves as future owners and encouraged to be committed to the long-term continuity of the business. This commitment may go beyond the financial commitment expected of other shareholders (Gallo et al., 2006) to include the acceptance of a 'shared dream' that has moral, behavioural, emotional and family implications (Lansberg, 1999). Such emotional attachment further encourages family members' commitment (Alvarez, 2003) to providing medium- and long-term strategic direction and a competitive vision for the business. These factors may influence not just the governance structure but the way board meetings are held. Non-economic parental altruism may lead owner-managers to favour family members (e.g. by employing their children or giving them their own department within the firm), to the potential detriment of the business (Schulze et al. 2001; 2003b). Hendry (2002) calls such decisions 'honest incompetence'; the fact that they can impact firm governance and how a board is run makes it even more important to investigate how family dynamics – father/child or sibling relationships – affect boards. A number of differences have been identified between family and non-family businesses in terms of strategy and governance. Donckels and Fröhlich (1991) and Gomez-Mejia et al. (1987) suggest that family businesses follow a conservative, less innovative and less growth-oriented strategy compared to non-family firms, while other research suggests that family firms are less export-oriented and less active internationally (Gallo, 1995; Donckels and Fröhlich, 1991). FBs sometimes have philanthropic interests and a long-term interest in their employees and surrounding community as well as a concern for their own legacy (Steier and Miller, 2010). Westhead (1997) suggests that family firms are significantly less focused on planning-related issues, instead using less formalized management information systems to support decision-making, while Lyman (1991) notes that managers of family businesses use a more personal approach and rely less on formal written policies. This is echoed by Daily and Dollinger (1992), who suggest that FBs use significantly fewer formal internal control systems, and by Cromie et al. (1995), who found that FBs have less formal appraisal systems than non-family businesses. Handler (1990) suggests family firms normally have centralized control, and the rules which govern the family also apply to the business, a view supported by Whisler (1988), who found control processes within FBs to be characteristically informal.

The unique nature of FBs, with their overlapping dynamics of family, business and management (Tagiuri and Davis, 1996), have led researchers to consider the governance problems associated with family control, such as the dangers of bias and the increased likelihood of the abuse of power (Jiang and Peng, 2010). Quantitative research in North America (see Smith and Amoako-Adu, 1999) and Southeast Asia (Filatotchev et al., 2005; 2007) supports the idea that a controlling family can have negative effects on company performance. The results imply that family interests often take priority over the interests of non-family shareholders, with wealth being distributed in favour of dominant (family) shareholders rather than being used to maximize dividend payments to outside shareholders (Carney and Gedajlovic, 2002). It should be noted, however, that their research does not take into account contextual factors such as size and turnover. Board diversity in family firms therefore includes non-family directors and non-family non-executive directors as well depending on family size and generations family representatives, which in academia in terms of family relationships is an under-developed area.

1.4 Exploring the Board

1.4.1 The board as a team

Numerous researchers have defined the board of directors as a team (e.g. Cangelosi and Dill, 1965; Forbes and Milliken, 1999). Katzenbach and Smith (1999) identify the three fundamental characteristics of a team as being devotion, accountability (responsibility) and skill, echoing the Companies Act 2006. According to Belbin (1981),

> 'The essence of a team is that its members form a co-operative association through a division of labour that best reflects the contribution that each can make towards the common objective. The members do not need to be present at the same place and at the same time to enable the team to function' (p.141).

There are various lenses through which one can view boards (e.g agency theory, stakeholder theory), but another way of examining a team of directors is by looking at their roles within the group; indeed, Bales (1950b) describes a team as a system of roles. The director's role has been defined by law, but it is also important to understand the relationship between group composition and group performance (Barsade et al., 2000; LePine, 2003). Chong (2007) identifies statistically significant relationships between team 'balance' and team performance, yet is unable to offer further clarification of the various roles played by board directors. Roles played by directors may vary depending on board meetings and agenda items. Different agenda items may cause different interactions during board meetings; therefore a deeper knowledge of both meetings and agenda items may result in identifying decision making (see Simons et al., 1999; Woolley et al., 2010). Understanding the board as a team with varying agenda items is a relatively unexplored area of research within SMFBs and could therefore be of interest and significance.

1.4.2 Boards and roles

Researchers have defined a role as a set of behaviours which are performed in response to the behaviours of others (Biddle, 1979; Katz and Kahn, 1978). More specifically, Lindgren (1997) defined a role as an externally assigned set of behaviours, linked to an individual's occupational position (e.g. Director); in other words, a formal role, such as Chairman, carries with it the expectation that an individual will behave within certain constraints. The concept of roles has its origins in sociology (Biddle and Thomas, 1966), where it is used to understand the behaviours of individuals in a social environment. Role theory has been employed by researchers in a range of fields, including psychology, sociology, social psychology, organizational behaviour and HR management (Welbourne et al., 1998; Guenduez, and Schedler 2014). It has been argued that an understanding of roles is crucial to understanding human behaviours within organizations (Kats and Kahn, 1978), while Welbourne et al. claim that the 'role behaviours of an individual are the outcome of the interaction between that individual and the organisation' (1998:542).

Board dynamics may change to due to the interaction between formal and informal roles (Salazar, 1996). Formal roles are defined as Chairman, Financial Director while informal roles refers to the informal hierarchy and roles such as mediators, disruptors or communicators. In a family business setting further roles include family ties such as parents and siblings. A board is likely to contain a combination of formal and informal roles; moreover, individual board members may simultaneously play both a formal and an informal role to varying degrees at different times. While the Chairman of the Board might hold the formal leadership role, other members may exert a stronger influence through their informal role; indeed, those with informal roles often exert a much greater influence on a team and its processes than those with formal roles (Hare, 2003). The interaction between these formal and informal roles can profoundly affect board dynamics. Researchers have tried to link informal roles to different actions; task roles, maintenance roles and disruptive roles (Mudrack and Farrell, 1995) or have linked roles to tasks; behavioural control, output control, strategic control, advisory and counsel, networking and strategic participation (Huse, 2005).

1.5 Contribution to knowledge

Previous governance research has been largely 'input-output -oriented. Despite decades of research into demographics and composition of boards, scholars have struggled to develop a deeper understanding of how directors contribute to organizational success (Hambrick et al., 2008; Johnson et al., 1996; Zahra and Pearce, 1989). Reports such as the Tyson (2003) and Cadbury (1992) reports have led to an increase in the number of NEDs in UK boardrooms, but they have had little effect in terms of gender equality or diversity or on overall board effectiveness. With an increased understanding of how the different types of boards found in family firms function, researchers may be encouraged to look beyond structural issues (such as the ratio of external board members or CEO duality) to examine how board dynamics affect firms, how directors make decisions and how these decisions affect directors, their roles and the firm.

Researchers have also aimed to increase understanding of how boards work by outlining the characteristics of board meetings (pre, post and during) and exploring directors' interactions during discussions of agenda items. Despite the difficulties of access, a few systematic, observation-based boardroom investigations have been conducted; for example, Samra-Fredericks' (2000a; 2000b) examination of boards in UK manufacturing companies and Huse's study (2005), for which the researcher used his own board membership to collect data.

This study seeks to go beyond the 'input-output' aspect of the board and to develop a more holistic understanding of board dynamics and their impact on decision making. It focuses specifically on the under-researched area of SMFBs, identifying empirical examples of the various categories of family board defined by Astrachan et al. (2006) within their theoretical spectrum and presenting a series of in-depth case studies which together give insight into the complex relationships between board directors in the SMFB context. It is to be hoped that the findings will encourage researchers to look beyond structural issues (such as the ratio of external board members or CEO duality) to examine how board dynamics affect firms, how directors make decisions and how these decisions affect directors, their roles and the firm. The current study seeks to build on this knowledge by focusing specifically on the under-researched area of SMFBs and their dynamics. It aims to answers calls by scholars to develop more understanding about the 'black box' and what happens during board meetings (Pettigrew, 1992; Huse and Zattoni, 2008; Parker, 2007; Van Ees et al., 2009). While Corbetta and Salvato (2004) acknowledge that one size cannot fit all boards, research suggests that boards, their meetings and directors are actually broadly homogeneous across industry sectors (Tricker, 2009). On the other hand, family researchers often cite the uniqueness of family businesses in terms of make-up and dynamics. Astrachan et al. (2006) theorize that boards in family businesses may have radically different levels of involvement, from catalytic to rubber-stamping the decisions of others (see Table 2.6).

The study contends that, far from being broadly homogeneous, boards operate in many different ways and play a variety of roles. Moreover, the contribution made by directors in board meetings not only according to their role(s), expertise and the agenda item, but also their social status and board dynamics. By identifying boards of different types and showing the key impact board dynamics have on decision making, the study offers empirical evidence to challenge the proposition that a single board model is sufficient for all companies (Corbetta. and Salvato,2004),. This differs from previous research that suggests boards and their meetings might have been considered monolithic different roles and the emergence of differing board frameworks shows decision-making is neither linear nor standardized. Family business literature has rarely focused on board dynamic and relationships. Previous studies have mostly been theoretical and followed the general stream of board literature in their reliance on secondary quantitative data. In contrast, this study makes extensive use of primary, qualitative data; using directors' own narratives, it is able to offer an inside perspective on the 'black box' of the boardroom.

1.6 Aims and objectives

The primary aim of this research is to provide an understanding of the diverse approaches to governance within SMFBs in the UK. The literature suggests that the role of boards are significant in the behaviour of SMFBs and significantly affects how they operate. To ascertain whether this is true, original evidence was collected from eight case companies. This thesis examines the narratives similarities and differences between the boards in the case companies and considers how board roles and internal dynamics affect the directors and their roles during the decision-making process.

The guiding research question is: In the UK, how do SMFB organise their governance structures? The guiding research question was formed by defining and formulating the research objectives, which emerged from the literature review. These objectives may be summarized thus:

- To present original evidence of the existence of different types of boards
- To identify the various roles played by boards of directors in SMFBs in the UK
- To examine the formal and informal roles played by directors within the case companies and their significance in the running of these SMFBs
- To develop a family business board model, based on original evidence, which helps provide an understanding of the functioning of SMFBs

This thesis is built up over 6 Chapters with Chapter 1 providing an introduction to family businesses and SMEs, their importance in the UK economy as well as governance structures, the significance of Boards with regard to law, diversity and family aspects. In each chapter, the researcher has used the used the wider corporate governance literature to set the SME literature in context. As FBs make up 60% of all businesses in the UK, research on SMEs while not explicitly stating they contain family businesses will do and are therefore used to draw contexts for FBs. Chapter 2 gives an insight into previous research on SMFBs, drawing on the mass sets of corporate governance literature which see boards as homogenous input-output areas which, using predominantly quantitative strategies and agency theory , which have led to inconclusive results. Following this it examines different board research and legal and theoretical perspectives while differentiating it and applying it to the unique family business set up. Chapter 3 outlines the Methodology and associated issues, while Chapter 4 is an overview of the collected data. Chapter 5 is a thematic analysis of the primary data examining the data from different perspectives including board and family roles. This leads to a discussion comparing the results to previous FB and governance literature to further identify how FBs governance and boardrooms may differ ending with the family business governance model which has also been distilled for future research. Chapter 6 is offers overall conclusions, contribution to knowledge, limitations, implications for academia, policymakers and practitioners and suggests future research avenues.

2 Chapter 2 - Literature Review

2.1 Introduction

According to Companies House (2013), there are 4.6 million private British companies registered in the UK. The IFB (Institute for Family Business) suggests that 65% of these are family businesses, which collectively account for around 38% of GDP in the private sector and employ around 9.5 million people (IFB, 2008). Thus, SMFBs make a significant contribution to the UK economy. Van den Heuvel et al. (2011) called for further research into SMEs generally, while Pye and Pettigrew (2005) called for research into how boards vary across different settings, and how directors' roles and responsibilities match up with their personal behaviours and goals. Further, Neville (2011) and Coulson-Thomas (2007) highlight the critical role of the board in an SMEs growth. However, it is very difficult for researchers to gain access to boardrooms – it has been suggested that this is one of the main reasons why board research has relied largely on secondary, quantitative data. There is plenty of such data on larger public companies and on board diversity, but little on SME boards in the UK (Martin et al., 2008). Accordingly, it has been suggested that researchers in this area should move away from the 'input-output' model (Finkelstein and Mooney, 2003) and employ other methodologies.

The need for more in-depth research on boards has been noted by various authors. Hill (1995:247) observed that: 'There are few studies of how boards work in the academic literature', while Roberts and Stiles (1999), after interviewing 30 Chairmen and CEOs from major UK companies, argued that the board is 'held to be central to corporate governance, yet studies of it are rare' (p.36). Similarly, Pettigrew commented: 'Very little is known about the relational dynamics in and around the boardroom' (1992:178). Roberts et al. (2005) also observed that: 'Research on corporate governance lacks understanding of the behavioural processes and effects of boards of directors' (p.55).

This chapter reviews the literature which has been produced so far in an attempt to gain an initial understanding of how directors and boards work in SMFBs. The review starts by establishing the contextual background; Section 2.2 considers literature relating to SMEs, SMFBs and governance in general, while Section 2.3 discusses the various definitions of governance and introduces some of the issues that have been raised so far in studies exploring governance structures and practices in SMEs and SMFBs. In line with the research objectives, the board literature is divided into two sections: Section 2.4 explores the external influences on the board and the various ways in which boards are classified, while Section 2.5 focuses on what happens in the boardroom. Section 2.4 identifies the various roles played by boards of directors in SMFBs in the UK, looking at their legal obligations under the Companies Act, the roles and duties assigned to directors in the UK and the literature around the Board's duty to shareholders and its objectives. Section 2.5 addresses the study's second objective; that is, to examine the formal and informal roles played by directors within the case companies and how these roles affect the running of these SMFBs. This section prepares the groundwork for the investigation by examining the literature on board diversity, size, tenure and decision making inside the boardroom. Finally, in order to ascertain the theoretical underpinnings of previous research and develop an appropriate methodology for this thesis, Section 2.6 examines those theoretical lenses which have heavily influenced board research to date. This is in line with the overall aim of the thesis to identify gaps in the existing governance and family business literature. Section 2.7 categorizes the literature into a guiding framework. This framework underpinned the data gathering.

2.2 Contextual background: SMEs

There are 4.6 million small businesses in the UK, making this the largest category of registered company (Companies House, 2013). They are crucial to the UK economy; according to as the UK has an estimated 4.9 million businesses, with small and medium-sized enterprises (companies with fewer than 250 employees) which together account for 99.9% of all enterprises, 59.3% of private sector employment and 48.1% of private sector turnover. Their economic importance is reflected in the extensive amount of research that has been conducted within the small business and entrepreneurship sector (e.g. Curran and Blackburn, 1991; 2001; Chittenden, Robertson and Watson, 1993; Smallbone, 2009).

2.2.1 Defining SMEs

Various definitions exist of the SME: the two most relevant to this research are the UK definition, which has been in place since 30 January 2004, and the EU definition, which has existed since May 2003. The EU definition recognizes three categories of SME, while the UK's definition only has two categories. Although both the EU and UK definitions use the same employee numbers, there are substantial differences in terms of turnover and balance sheet total, with the EU turnover threshold being nearly double that in the UK and the balance sheet total roughly three times as high (as at 03.06.2012).

Table 2.1 Comparison of UK and EU definitions of SMEs

Enterprise category	Turnover (EU)	Balance sheet total (EU)	Turnover (UK)	Balance sheet total (UK)	Number of employees (EU + UK)
medium-sized	≤ € 50 million	≤ € 43 million	≤ £22.8 million	≤ £11.4 million	< 250
small	≤ € 10 million	≤ € 10 million	≤ £5.6 million	≤ £2.8 million	< 50
micro	≤ € 2 million	≤ € 2 million	-	-	< 10

Source: EU: European Commission (2011); UK: HM Revenue and Customs (2010)
NB: £1 = 1.2 €

Many researchers define SMEs by the number of employees as this threshold is the same in both the UK and EU definitions. However, this measure may be arguably misleading, especially in start-ups, high tech or internet companies. The EU categorization system appears to address this to some degree by including micro enterprises as a separate group. These make up between 95% and 97% of SMEs in the UK, but they can vary dramatically in terms of turnover and balance sheet total (Federation of Small Businesses, 2011). For this reason, this research employs the EU definition to look at SMEs in the UK in conjuction with the EU definition of FB (see section 2.2.3)

2.2.2 Governance worldwide

There is no universally accepted definition of governance, much less an international approach to governance codes and regulations. For example, the UK has a unitary board system, whereas other European countries, such as the Scandinavian countries and Germany, have a two tier system with separate management and supervisory boards. In the UK unitary board system, 'insiders' or executive directors sit on the board in companies, and the most common form of voting is single voting. It is outside the scope of this study to examine the other voting forms found in European boards, such as double voting and proxy voting, but the fact that they exist is itself a challenge to the assumption made in a number of studies (see for example Gabrielsson and Winlund, 2000; Johannisson and Huse, 2000) that Europe is a homogeneous entity with one system of governance. The regulatory differences between countries have led Carlin and Mayer (2003) to suggest that governance structures are not necessarily transferable ('What is suited to an innovative R&D intensive economy may be ill-suited to a more imitative one' (p.25)), and Keasey and Hudson (2002) advise analysing the regulatory framework of other countries before adopting their NED models. Any examination of board research, especially in the SME context, needs to take into account the national context, as differing underlying assumptions and legislative influences may make research not directly comparable.

2.2.3 Family businesses

SMFBs have been looked at from various angles. There have been attempts to measure general boardroom conflict (Berry and Perren, 2001:18) and to examine director 'bitching' (Deakins et al., 2000a:183), conflict arising from family succession issues (Deakins et al., 2000b:323), how boards balance family interests (Deakins et al., 1999:45) and handle family factions (Johannisson and Huse, 2000:370). Key themes include the conflict between business and family (Kenyon-Rouvinez and Ward, 2005:5), conflicts arising from the overlap between family, management and ownership (Tagiuri and Davis, 1992), and the influence of emotional ties and/or contracts (Collins and Thornton, 2010). Family business research has also addressed the question of board diversity and the treatment of women in FBs; research shows, for example, that fathers would often prefer their daughters to get a job outside the family business (Collins, Tucker and Pierce, 2012).

Van den Heuvel et al. conducted a systematic literature review (excluding books) using the keywords *family firm, SME, small or entrepreneurial firm* in combination with the words *board task(s)* and *board role(s)* (2006:482). They found 34 empirical papers employing different quantitative and qualitative techniques, but only one was a case study. This echoes the experiences of other researchers; while there has been qualitative research on SMEs and on FBs (see Huse, 2005), there are few case studies of SMFB boards. Research have generally found Boards difficult to access

(McNulty and Pettigrew, 1999), and family business board members, keen to protect company confidentiality or afraid of being reprimanded for not doing things 'properly', are especially reluctant to be interviewed (Ward, 2005) . Individual participants may also fear being identified by colleagues or competitors. This ethical problem which will be discussed in greater detail in the methodology chapter. For the purpose of this research the EU definition of family business was used:

Table 2.2 EU definition of family businesses

1	The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
2	The majority of decision-making rights are indirect or direct.
3	At least one representative of the family or kin is formally involved in the governance of the firm.

Source: European Commission (2013)

There are three case studies within the literature that focus on SMFB boards and that adopted the board as the unit of analysis. These are by Fox (1982; 1983; 1984), Samra-Fredericks (2000a; 2000b) and Huse (2005). (Other case studies have focused on the experiences of individual family business members; Thornton's (2009) study, for example, explores the perspective of an aggrieved family member, while Karra an Phillips.'s (2004) examines that of the business founder.) Fox (1984) examined the role of quasi-boards or advisory councils. These helped with strategy and policy, monitor company operations, mediate between owners and executives and deal with succession-related issues. Samra-Fredericks (2000a; 2000b) observed a UK manufacturing company for 12 months, taking part in board meetings and shadowing board members and employees, while Huse used an ethnographical approach and his own experience as a non-executive director to build up an in-depth knowledge of one company's board. Observation allows the researcher to develop an in-depth understanding of what is actually happening within firms and boards, but where the researcher is directly involved and reflecting on their own experiences, there may be -a danger of bias or misrepresentation. This research aims to look at SMFB boards without using an 'insider' perspective. While some similarities may be drawn between non- family SMEs and SMFBs (Daily and Dollinger 1992, Harris, Martinez and Ward 1994, Feltham, et al. 2005), family businesses differ because unlike managerial companies, the success of family firms depends on the ability to manage three networks: the familial network, which encompasses all the members of this institution (whether or not they are involved in the management or in the equity); the organizational network, which includes all the people who take part in the business(at the top, middle, and low levels, familial or not); and the environmental network, which involves the external stakeholders, such as customers, suppliers, banks, and other institutions (Bauer, 1993) . Further, in SMFBs the personal dimension of a firm is high when one person simultaneously manages the three networks (Rullani, 1999). This was further developed in section 2.6.3 which highlights the interface between the three interlocking systems which openly exist in SMFBs. Using a clear EU definition adds further disparity between the definition of an SME and SMFB.

2.2.4 The objectives of family businesses

The overlap between business, family and management can affect the goals of a family business. Singer and Donoho (1992) suggest that family and business aims are often diametrically opposed (e.g. instant shareholder value versus value creation, or best person for the job versus nepotism), although Jaskiewicz and Klein (2007) found that the goals of owners and management are more likely to be aligned in family businesses with smaller boards. Other researchers have shown how families, and consequently their business goals and objectives, change as they move through the various stages in the family life cycle (Danco, 1975; Tagiuri and Davis, 1982; McGivern, 1989). Sharma et al. (1997) suggest that the life cycle may also affect outcomes and processes in family firms., However, Ward and Carlock (2001) suggest three philosophical orientations for family businesses: business first, family first and family enterprise approach which could influence their management and governance style. 'Business first' consists of making all the decisions, according to what is best for the firm and that regardless of the possible imbalanced treatment that could be experienced by family members. In contrast, 'family first' considers the happiness and unity of the family come before the business health. The decisions will be made in favour of family members' equality, even if the company may suffer in the future. For example: electing a family member MD despite not being competent or the best candidate. Finally, 'family enterprise approach', balance between the two previous orientations. This philosophy aims to compromise between the interest of the business and the satisfaction and happiness of the family members. This approach requires family members to be committed on the long-term to both the family and the business. Tagiuri and Davis (1992) conducted an empirical study of US family businesses and found that the six most important goals (from a list of 74) were: to have a company where employees can be happy, productive and proud; to provide financial security and benefits for the owner; to develop new, quality products; to foster personal growth, social advancement and autonomy; to promote good corporate citizenship; and to provide job security. Their findings suggest that family businesses do not exist solely to produce the maximum return for shareholders; it may be more important to the board to retain staff, even at the cost of reducing the dividend, and to preserve the legacy of the family.

2.3 Corporate governance or governance?

In the UK, the high profile failures of boards and directors in companies such as the Maxwell Corporation and Polly Peck have led to a wave of new legislation and codes. Governance literature, which is mainly law and finance based, has proliferated (Webofknowledge, 2012). Even so, there is still some confusion about how corporate governance should be defined. Zingales defines corporate governance as the 'structures, rights, roles and responsibilities within an organisation' (Zingales, 2007); broadly speaking, it is a set of processes, customs, rules and policies which are designed to prevent conflicts of interest. Various stakeholders may be involved in specifying these rules and procedures for corporate decision making, including the board of directors, managers, shareholders, creditors, auditors and regulators. Since governance provides both the structure for a business to pursue its aims and a mechanism for monitoring actions, policies and decisions within the company, it must align the interests of internal and external stakeholders.

The IOD suggests that: 'An effective governance framework defines roles, responsibilities and an agreed distribution of power amongst shareholders, the board, management and other stakeholders. Especially in smaller companies, it is important to recognise that the company is not an extension of the personal property of the owner' (2011:3). The OECD goes further, suggesting: 'The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company' (2004:22).

According to the OECD, effective corporate governance requires the creation of: '1. A set of relationships between a company's management, its board, its shareholders and other stakeholders. 2. A structure through which the objectives of the company are set and the means of attaining those objectives and monitoring performance are determined. 3. Proper incentives for the board and management to pursue objectives that are in the interests of the company and its shareholders' (OECD, 2004:11). However, some researcher suggest that despite legislation there maybe compliance issues (Winter and May, 2001; May, 2005, Nielsen and Parker,2012).

Various institutions, including the CIPD (Chartered Institute for Professional Development), ACCA (Association of Chartered Certified Accountants) and CIMA (Chartered Institute for Management Accountants) have set out their own definitions of governance, boards and directors. However, few of these have addressed SMEs and the adapting of resources needed.

All of these definitions imply that the 'best interests' of investors and other stakeholders alike are financial and that they will therefore have the same goals. However, Monks and Minow (2004) argue that these definitions are inherently biased because they have their origins in the separation of ownership and leadership from the early discussions (such as Berle and Means, 1932) which helped develop agency theory (Fama and Jensen, 1983).

2.3.1 Governance in SMEs

The rising rate of collapse among SMEs (BIS, 2011) has led some researchers to question the governance within these companies. They have asked whether it is appropriate for SMEs to have the same kind of governance structures as larger companies, and whether these governance structures are effective. Or is part of the problem a lack of governance? As a governance structure which has the potential to fundamentally impact a company's value creation processes (Demb and Neubauer, 1990; Judge and Zeithaml, 1992; Pugliese et al., 2009), the board of directors has been the focus of attention in a number of studies. Researchers have paid particular attention to board composition and structure and the role of non-executive and outside directors (see for example Huse, 1990; 1998; Deakins et al., 1999; Berry and Perren, 2001; Fiegener, Brown, Dreux and Dennis, 2000; Smithson, 2004; Voordeckers et al., 2007).

Huse (2000) called upon SME researchers to provide alternatives to US-based board literature, which concentrates on public and listed companies and seeks to identify links between board composition and company performance. These studies draw on archival evidence and large-scale surveys and largely ignore director influence (Huse, 2000). Rejecting this methodology as biased, Huse (1998) conducted qualitative and exploratory studies of board-stakeholder dynamics in Scandinavian SMEs (where he was himself a non-executive director) and case studies of VC-backed companies

(Gabrielsson and Huse, 2002). Although he acknowledged the difficulty of gaining access to boards, he argued the need to employ a range of methodological approaches to uncover the complexity of SME board processes and relationships (Huse, 2000).

Gabrielsson and Winlund (2000) conducted surveys among 302 small and medium-sized industrial firms in Sweden to measure how their boards performed a range of control and service roles. Their results show that an appreciation of the context is essential to understand the working structures of a board, and that fully involved board members, clearly defined roles and clear formal structures are central to a board's ability to perform tasks effectively.

2.3.2 Governance in SMFBs

It has been pointed out that the Companies Act 2006 and many of the widely accepted best practices may not support all the aims and objectives of family business boards. As Corbetta and Salvato (2004) argue, one size does not necessarily fit all. They suggest that many of the recommended corporate governance practices may actually be detrimental to family businesses; they can damage family unity, are too complex or costly for private firms to implement, or are only applicable to very large public companies with dispersed ownership.

Davis (2006a) suggests that: 'Effective governance processes in a family business allow for the *creation* of a suitable *identity* for the business and its employees, set a sensible and motivating *direction* for the business and maintain *discipline* in the business to help it achieve its identity and pursue its direction'. The board of directors is one of the fundamental governance structures for accomplishing these aims within the family business system.

To the best of the author's knowledge, there are no existing UK-based case studies of SMFBs which take the board as the unit of analysis to examine board structures, processes or roles (formal and informal) within the board. Research by Poutziuoris (2006) offered insight into the governance structure of family firms in public listed companies but failed to address the process within the boardroom. Moreover, comparison with and extrapolation from studies cited in other European contexts is difficult, given the differences in board structure. This makes it even more important to study boards in the UK context.

2.4 The Board of Directors

2.4.1 Boards and governance

Setting the context of boards and the directors aids the understanding of SMFBs and could inform how they organise their governance structures. In the UK, a whole series of reports have been published to aid companies and boards with their duties and roles. These include: the Cadbury Report (1992) on the financial aspects of corporate governance; the Greenbury Report (1995) on directors' remuneration; the Hampel Report (1998), which was the first review of corporate governance since the 1992 Cadbury Report; the Turnbull Report (1999) on internal controls to ensure good financial reporting; the Higgs Report (2003), which reviewed the role and effectiveness of non-executive directors; and the Tyson Report (2003), which focused on the recruitment and development of non-executive directors. Most recently, the Davies Report (2011) examined the representation of women on boards of directors. These reports have helped to shape Acts such as the Companies Act (2006) and the UK Corporate Governance Code 2010 (formerly the Combined Code). The UK Corporate Governance Code (2010) sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders (Corbetta and Salvato, 2004).

A number of researchers have shown that directors and boards play different roles depending on the context, and this has led some to argue that: 'There is no blueprint for a directorship that is appropriate for all boards' (Long, 2007:56). Researchers like Tricker have argued that guidelines drawn up with reference to one board may be 'irrelevant and unhelpful to another' (Tricker, 1978:23), given the huge differences that can exist between them. While researchers have called for differentiation, regulators have been urged to be more flexible and to take account of smaller, unlisted companies' individual circumstances and context (Hampel, 1998:1-10; Mallin and Ow-Jong, 1998a:82). Despite these calls for flexibility, when the updated Companies Act was promulgated in 2006, it set out universal governance standards for companies across the UK.

2.4.2 The Companies Act

The Companies Act may be said to have its origins in the Limited Liability Act of 1855 – this Act first allowed the general public to establish limited liability companies. The Companies Act 2006, which superseded the Companies Act 1985, is the legal reference for all registered companies. It was introduced in stages, with the first of nine commencement orders being enacted in November 2006. This was to allow companies, boards and stakeholders sufficient time to prepare for the new Act and its 1,300 sections. It came into full effect in October 2009.

A company has its own identity and legal obligations; it is what Keenan calls 'a persona at law' (2005:2). It is characterized by perpetual succession; that is, its continued existence is ensured by a succession of individuals. The Companies Act 2006 identifies six types of companies: limited and unlimited companies, private and public companies, companies limited by guarantee and having share capital, and community interest companies. According to the Act, 'A company cannot be formed as, or become, a company limited by guarantee with a share capital', as 'Any provision in the constitution of a company limited by guarantee that purports to divide the company's undertaking into shares or interests is a provision for a share capital.' This applies whether or not the nominal value or number of shares or interests is specified. A community interest company (according to part 2 of the Companies (Audit, Investigations and Community Enterprise) Act 2004 (c. 27)) is either a company limited by shares or guarantee and not having a share capital, or a company limited by guarantee and having a share capital.

Part 10, chapter 1, section 154 stipulates Directors aged 70 or above must also give the board notice of their age. The Companies Act states that they must retire at the next AGM, unless different provisions have been made in the company's articles. This is of particular interest in family businesses, where founders often stay in the boardroom until death (Coutts, 2011).

The 2006 Act was expected to be a radical overhaul of its predecessor, but in the event, it was met with widespread dismay. Keenan (2005) suggested that rather than offering real reform, the new Act represents only an increase in red tape and a tightening up of existing rules. This view was echoed by Jordan (2007:1)., who asserted that: 'The UK's largest provider of business services found that almost two-thirds of professional advisers (64 per cent) said that to date, the Companies Act had caused considerable confusion and ... failed to reduce the administrative workload for most companies'. He went on to argue that, far from delivering what was promised, the Act has 'creat[ed] confusion and fail[ed] to reduce red tape' In a family business, the extent of these questions could be seen as more complex due the multiple, sometimes overlapping, formal and informal roles of the board.

2.4.3 The roles and duties of directors in the UK

The Board of Directors is a group of individuals who have been '...elected by a corporation's shareholders to oversee the management of the corporation' (Brookfield, 2011). In most companies, the Board is seen as having a clear role (generally set out in the company charter), but the role of the Board was not made explicit until the Companies Act 2006 – this was the first piece of legislation to set out the role of individual directors as well as the role and legal responsibilities of the Board as a whole. Part 10, chapter 2, section 170-177 lists the seven legal duties of a director and the director's rights and liabilities (Companies Act 2006).

Figure 2.2: Directors' duties

1) Duty to act within your powers as a company director
2) Duty to promote the success of your company
3) Duty to exercise independent judgement
4) Duty to exercise reasonable care, skill and diligence
5) Duty to avoid conflicts of interest
6) Duty not to accept benefits from third parties
7) Duty to declare interest in proposed transactions or arrangements with the company

Source: Companies Act 2006

The duty to act within one's powers (section 171) means a director must act in accordance with the company's constitution, while the duty to promote the success of the company (section 172) requires them to act in ways that will help the company profit and benefit *all* its members. These duties imply that directors in both family and non-family businesses must treat other stakeholders fairly, whether they be employees, suppliers, customers or others. They must also take into account '...the impact of the company's operations on the community and the environment as well as the desirability for maintaining a reputation for high standards of business conduct' (section 172). This is particularly relevant to SMFBs, who are likely to measure their success in non-financial as well as financial terms.

Section 173 states that a director must exercise independent judgement, while section 174 stipulates that a director must exercise reasonable care, skill and diligence, using their general knowledge, skill and experience. Astrachan et al. (2006) developed a model to show the degree of independent judgement and diligence shown by directors when carrying out their duties (see Appendix G Role Theory and Governance Theory- Multiple roles of Directors.). They found that the level of director involvement in decision making ranges from little or nothing (in their model, they call these directors phantoms) to active and strategic (they call these catalysts).

Section 175 states that a director must avoid a situation in which he has, or might have, a direct or indirect interest that conflicts, or may potentially conflict, with the interests of the company. The Companies Act 2006 draws particular attention to material as well as immaterial advantages which could be gained due to the exploitation of any property, information or opportunity (duty to avoid conflicts of interest). However, 'this duty does not apply to a conflict of interest arising in relation to a transaction or arrangement with the company' and the duty is not infringed if 'the situation cannot reasonably be regarded as likely to give rise to a conflict of interest; or if the matter has been authorised by the Directors.' This is particularly relevant when a director sits on different boards, is a family shareholder or is an entrepreneur with interests in a range of companies, for example.

Section 176 goes on to state explicitly that a director must not accept any benefit from a third party. In law, 'A "third party" means a person other than the company, an associated body corporate or a person acting on behalf of the company or an associated body corporate.' Again, the intention is to avoid possible conflicts of interest and duty, but this can be difficult in SMFBs when board members are playing a range of roles. Section 177 continues the theme by stating that if a director is in any way, directly or indirectly, interested in a proposed transaction or arrangement with another company, he must declare the nature and extent of that interest to the other directors (duty to declare interest in proposed transactions or arrangements). This may be done at a meeting of the directors, or in writing (section 184) or in a general notice (section 185). On the other hand, a director need not declare an interest if 'it cannot reasonably be regarded as likely to give rise to a conflict of interest' or if other directors are already aware of it. Thus, if the other directors already know that an entrepreneur-director has three other companies which are potential suppliers, he need not declare this again unless there is a change in circumstances. This disclosure especially in SMFBs could be seen as a grey area as family members might presume to know about others activities as they are 'family'.

Under the Companies Act 1985, boards were required to appoint a Company Secretary, who was tasked with ensuring that paperwork was correct and deadlines were met. The title (if not the work) was often given to the wife of a director or founder. For twenty years, the ultimate legal responsibility lay with the Company Secretary, but since the 2006 Act, overall responsibility for these duties and final liability have fallen evenly on all directors. Directors must therefore be more aware of both their individual rights and responsibilities and their joint responsibility; ignorance is no excuse, and failure to fulfil their obligations can lead to them being disqualified from holding further directorships for up to 15 years, under the Company Directors Disqualification Act 1986.

The other key board role is that of Chairman, which brings with it the right to call votes and chair meetings (section 319). Stewart (1991), in his longitudinal study of the experiences of 20 Chairmen and CEOs in the NHS, found that: 'The Chairman's role differed and varied widely dependent upon the respondent's role view, personality, relevant experience and, importantly, the time devoted to the role'. In the SME context, the Chairman may also be the company founder or a family member.

The law differentiates clearly between directing and managing a company. While directors give direction for the long-term maximization of shareholder value through strategic planning, managers implement these plans (Institute of Directors, 2010). Although this differentiation is clear in theory, the roles can often become blurred in SMEs, especially family-run SMEs. This blurring may now have legal consequences as, under the Companies Act, a manager performing directorial duties can still be held legally responsible, even if he is not officially a director.

2.4.4 The Board's duty to shareholders

Boards are responsible to their shareholders and stakeholders. These are clearly differentiated. A stakeholder is a person or organization that has an interest (stake) in a business: internally, they include employees and management, while external stakeholders include customers, suppliers, the local community and the economy at large. A stakeholder is anyone or anything that might be affected by the business's decisions (Drucker, 1954; Mullins, 2005); they do not have to have invested financially or otherwise in the company.

Shareholders, on the other hand, are defined as individuals or organizations who own stock or shares in a company (adapted from Keenan, 2005). While a director has unlimited liability, meaning his own personal assets are at risk, a shareholder can only lose up to the value of his investment. Thus, if a company is declared bankrupt, a shareholder with £500 worth of shares will only lose his £500, while the directors are personally liable for the bankruptcy. Shareholders elect and can remove directors by vote, and so play a central role in deciding the make-up of the board. In larger companies, there might be several hundred shareholders, but in SMEs, the shareholders may generally be the founder, owner, family members, banks and any other investors.

While academics and lawyers tend to agree that the aim of the board should be to protect shareholders' interests by managing the company in a professional manner and demonstrating accountability (Ingley and Van der Walt, 2001; Hillman and Dalziel, 2003; Hendry and Kiel, 2004; McIntyre, Murphy and Mitchell, 2007), not all practitioners concur. According to Garratt, the view that: 'The director's primary care is to the shareholders' (1997:14) is one of the three great board myths. Rather, he argues, the first concern of any board is the survival of the company, which has its own identity and its own rights and responsibilities.

2.4.5 The Board's objectives

The board of directors is defined by Murphy and McIntyre (2007) as a team of individuals that participates in the development and selection of ideas for the development of the firm. Wheelen and Hunger (2004) summarized the basic tasks of the board as being to monitor, evaluate, influence, initiate and determine. Monitoring involves the board keeping up to date with developments inside and outside the business, and using this information to make decisions and guide management. The Institute of Directors (2001) describes the board's objectives as being to establish the vision, mission and values that will guide the company, to set the pace for its current operations and future development, and to review company goals and policies. It must set strategy and structure, and review and evaluate present and future opportunities, threats and risks both in the external environment and within the company. It must delegate to management and then monitor and evaluate the implementation of policies, strategies and business plans. Finally, the board must be accountable to shareholders and other stakeholders.

Other researchers echo this; Mallin (2010) identifies three objectives, while Sankaran and Iyer (2011) add a fourth objective based on Monks and Minow's (2004) work. These four objectives are: to provide superior strategic guidance to ensure the company's growth and prosperity; to ensure the accountability of the company to its stakeholders, including shareholders, employees, customers, suppliers, regulators and the community; to ensure that a highly qualified executive team manages the company; and to provide advice and counselling to the CEO.

Neville (2011) studied of the ownership and control structure in 1,313 SMEs and an interview survey of 1,040 Danish owner-managed SMEs. She indicates that the role of a board as a resource is more important than its control role and that good governance appears to be associated with the existence of boards and of outside board members. Coulson-Thomas (2007). governance of 60 unlisted SMEs based in the East of England which took place during 2005 and 2006. He ascertained board's added value and that effective boards could contribute to the growth and development of SMEs. However it has been suggested that most companies are not getting full value from their boards (Thomas, Kidd and Fernandez-Araoz, 2007). In Coulson-Thomas (2007) study hardly any of the companies had a working board in the sense of a group that met regularly, worked through a formal agenda, addressed strategic as opposed to operational issues, took minutes of its proceedings and followed up its decisions. Further, Coulson-Thomas (2007) suggested among family companies the norm was for family members only to be appointed directors, although in a few cases a long standing employee was appointed a director. Coulson-Thomas (2007) echoed Berry and Perrin (2001) findings that only a few companies employed non-executive directors, most of whom were owners and/or relatives.

The fact that boards are generally expected to demonstrate accountability and interdependence – and most importantly, common purpose – has led a number of researchers to suggest that they should be treated as teams (see Appendix K).

2.4.6 Board roles

Boards add value in several ways (Coulson- Thomas, 2007) However, he term of the role of the board is an ambiguous term: research has focused both on the role of the board within the company (Kirwan, 2009) and on the various roles within the board (Huse, 2005). The majority of board role research is concerned with the conceptual development of board roles using organizational theories such as agency theory, resource dependency theory, resource-based theory, stewardship theory and institutional theory (Fried et al., 1998; Dalton and Dalton., 2011; Daily et al, 2003; Hillman and Dalziel, 2003; Lynall et al., 2003). Of these, only stewardship theory addresses inter-personal conflict within boards. Researchers like Gabrielsson and Huse (2005) conclude that a combination of different theories is needed to explain the role the board plays in an organization (as a governance structure) and the various roles (formal and informal) played by its members.

This lack of a commonly agreed definition of board roles is reflected in the wide range of roles researchers ascribe to boards. Zahra and Pearce reviewed a variety of studies and identified three interrelated roles which boards play within businesses: service, strategy and control (Zahra and Pearce, 1989:412). Johnson et al. (1996) suggest the three main roles of the board of directors are control, service and resource dependence, while Finkelstein and Hambrick (1996) identify two:

control and service. Hillman et al. (2000) also identify two board roles: the agency or control role and the resource dependence role. The widespread view that the board plays a control (or monitoring) role is reflective of agency theory's popularity among researchers. In contrast, there is no consensus on the other roles, which appear to change depending on the theoretical perspective of the researcher.

Hung (1998) and Alberti (2001) have shown how different theoretical perspectives impact upon researchers' understanding of board roles. Similarly, Van den Heuvel et al. (2006) established from an overview of board role studies executed within the SME and/or family business context that researchers categorize 'what a board is expected to do' in different ways, depending on their theoretical perspective – as board tasks, board functions, board roles, board involvement or board activities. These terms allude to similar functions but are seldom clearly defined. It is unsurprising then that Lipton and Lorsch (1992) concluded that board roles and their definitions are surrounded by ambiguity.

Table 2.3 Ways of describing board roles

Board tasks	Fox, 1982; 1983; 1984; Barach, 1984; Daily and Dalton, 1993; Corbetta and Tomaselli, 1996; Gabrielsson and Winlund, 2000; Gabrielsson and Huse, 2002; Van den Berghe and Carchon, 2002
Board functions	Castaldi and Wortman, 1984; Ford, 1988; Johannisson and Huse, 2000; Markman et al., 2001; Mustakallio et al., 2002
Board roles	Ward and Handy, 1988; Whistler, 1988; Deakins et al., 2000; Huse, 2000; Gabrielsson and Huse, 2005
Board involvement	Rosenstein, 1988; Borch and Huse, 1993
Board activities	George et al., 2001; Schwartz and Barnes, 1991

Source: Van den Heuvel et al. (2006)

Van den Heuvel et al. (2006) note that authors employing agency theory emphasize the board's control (Huse, 1993; Gabrielsson and Winlund, 2000) or monitoring role (Deakins et al., 2000; Johannisson and Huse, 2000; Markman et al., 2001; Mustakallio et al., 2002), while resource dependence and resource-based perspectives result in emphasis being placed on the board's service (Gabrielsson and Winlund, 2000), advisory (Deakins et al., 2000; Johannisson and Huse, 2000), counselling (Mustakallio et al., 2002) and strategic roles (Deakins et al., 2000; Gabrielsson and Huse, 2002). The inconsistent terminology causes unnecessary confusion, lack of comparability and reduced transparency. Comparison is also made more difficult because different studies employ different units of analysis; while some researchers explore the perspectives of individual directors (e.g. MDs or non-executives) (Huse, 2005), others use the board as a whole, suggesting its success depends on the group dynamic (Brunninge, Nordqvist and Wiklund, 2007).

A variety of quantitative approaches have been used to evaluate the control role. For example, Huse (1993) used eight questions, while Gabrielsson and Winlund (2000) used a 10-item scale and Mustakallio et al. (2002) employed a five-item scale. Using these quantitative scales Van den Heuvel et al. (2006) drew on a range of studies employing agency theory, the resource-based view and the strategic leadership perspective to examine board tasks.

Table 2.4 Example of contexts within control and service roles

Control role (**Agency theory**)	**Service role** (**Resource dependence perspective, resource-based view and strategic leadership perspective**)
Dealing with succession problems	Building organizational reputation
Evaluating or controlling management performance	Advising management
Maximizing shareholder value	Enabling access to extra resources
Determining salary/compensation of management	Formulating/ratifying organizational strategy
Selecting new managers	Networking and maintaining relations/access to extra resources
Determining management responsibilities	

Source: adapted from Van den Heuvel et al. (2006: 480)

Table 2.4.3 is one of the few examples in SME board literature to show in detail what tasks are being performed by boards. Many best practices offer guidelines as to what boards should do but there is little empirical data as to what they actually do. Research implicitly suggests that boards are homogenous, therefore Van den Heuvel et al. (2006) tried to fill this gap by showing how different contexts within the board, and how this impacts Directors roles and tasks.

Van den Heuvel et al. suggest that future research into SMFB boards should seek to develop understanding of the relationship between 'organisational life cycle, desirable board role behaviour, and board level or firm level outcomes' (2006:481). The authors reflect that they have found 'no consistent patterns of board roles, and definitions have been defined on an empirical basis' (ibid). They note that there is no research investigating what the MDs or CEOs of SMFBs expect or require from their board, or which tasks or roles they perceive as most important. While boards are theoretically a governance mechanism, many SMFBs are wholly owned by the CEO and/or his (her) family; in these circumstances, it is arguable whether a board can indeed perform its function of stimulating ideas and resources or whether, despite its range of roles and tasks, it can do more than rubber-stamp (Mace, 1971) the decisions of the owners. Van den Heuvel et al. conclude their paper with the suggestion that: 'Important improvement for theory building would be to find consensus on how a specific board role should be measured' (2006:546), but there is as yet no standardized approach.

2.4.7 Board classification and function

Several scales, models and theories have been developed to understand the composition of family boards; these focus variously on diversity, size and engagement. Corbetta and Salvato (2004) see the board as reflecting the family's *power* (the degree of influence enjoyed by family members or their chosen representatives), *experience* (its influence in terms of experience, skills and resources) and *culture* (the degree of identification between family and business values and the impact these values have on the firm). They argue that high family power is associated with a higher proportion of inside/affiliated directors and CEO duality. A high degree of cultural identification (when commitment, vision and values overlap) reduces the need for board independence as family and board strategies are more likely to be aligned, while a high level of family business experience reduces the need for a large, varied or active board as the required skills and resources are readily available.

Gabrielsson and Winlund (2000) examined the structure of the boards in 302 small and medium-sized industrial firms in Sweden, discovering that the variables related to board structures and processes explained significantly more than those related to board composition. Their findings support those of other researchers such as Forbes and Milliken (1999) and Demb and Neubauer (1992), who argue that changing the composition or demography of a poorly performing board is not enough to make it effective. They suggest that the most important requirement is a clearly defined working style. The need for clarity is echoed by Golinelli (2005), who suggests that: 'Corporate governance effectiveness is affected by multiple variables: the quantity of those variables and their extent reveal the high complexity that characterizes governance activity....the interaction among these variables demonstrates why it is difficult to define simple cause and effect connections' (p.243).

Nadler et al. (2011:5) suggest that a board's level of engagement will change according to the circumstances. For example, they describe how a passive or certifying board may, in a crisis, change temporarily into an intervening board to remove the CEO, and then into an operating board until a new leader is in place. The engagement scale devised by Nadler et al. (2011) is shown in Table 2.4

Table 2.5 Degree of Board engagement

The Passive Board	The Certifying Board •	The Engaged Board •	The Intervening Board	The Operating Board
• Functions at the discretion of the CEO. • Limits its activities and participation. • Limits its accountability. • Ratifies management's preferences.	• Certifies to shareholders that the CEO is doing what the board expects and that management will take corrective action when needed. • Emphasizes the need for independent directors and meets without the CEO. • Stays informed about current performance and designates external board members to evaluate the CEO.	• Provides insight, advice and support to the CEO and management team. • Recognizes its ultimate responsibility to oversee CEO and company performance; guides *and* judges the CEO. • Conducts useful, two-way discussions about key decisions facing the company. • Seeks out sufficient industry and financial expertise to add value to decisions. • Takes time to define the roles and behaviours	• Becomes intensely involved in decision making around key issues. • Convenes frequent, intense meetings, often on short notice.	• Makes key decisions that management then implements. • Fills gaps in management experience.

	• Establishes an orderly succession process. • Is willing to change management to be credible to shareholders.	required by the board and the boundaries of CEO and board responsibilities.		

The same authors listed a series of indicators of board engagement. These describe the social and work dynamics on an engaged board, including the willingness to challenge the leadership (Nadler et al., 2011). However, similar to previous research Nadler et al. (2011) considers boards as homogenous, ignoring possible contexts which could see the degree of engagement vary over time because of changing circumstances, Further, change may be invited or needed as problems may arise that the board's experience may be insufficient in helping to solve.

Table 2.6 Indicators of board engagement

Agendas	The agendas limit presentation time and maximize discussion time. There is lots of opportunity for informal interaction among directors.
Norms	Board members are honest yet constructive. Board members are ready to ask questions and willing to challenge leadership. Board members actively seek out other directors' views and contributions. Board members spend appropriate time on important issues.
Beliefs	"If I don't come prepared, I will be embarrassed." "If I don't actively participate, I won't be fulfilling my responsibility." "I'll earn the respect of my fellow directors by making valuable contributions and taking responsibility for what we do together." "If I can't carry my load, or if I can't agree with what's going on, I should resign."
Values	The board serves the business community by actively participating in governance. The board is responsible to the company's various stakeholders and constituencies. Board members are personally accountable for what goes on in the company. The board is responsible for maintaining the company's stature in the industry. Board members respect one another.

The unique nature of the board processes and interactions in family businesses led Astrachan et al. (2006) to develop an FB-specific theoretical spectrum that classes boards according to their level of involvement in organizational strategy (see Table 2.6). A number of researchers suggest that boards range from active to passive in terms of the level of director participation (Castro et al., 2009; Pettigrew, 1992; Rindova, 1999). The level of strategic involvement is seen as the key differentiator; McNulty and Pettigrew (1999) suggest that an active board does not just ratify and control strategy, but is also involved in strategy formulation and in defining which decisions are to be taken in particular contexts. Stiles (2001) suggests that the level of strategic involvement may be seen as a key indicator of board performance and effectiveness; it is reasonable to assume, for example, that a catalyst board has more clearly defined roles and aims and is more goal-oriented (whether these goals are financial or non-financial) than other categories of board.

Table 2.7 Astrachan et al.'s theoretical spectrum for family business boards

Phantom	Rubber Stamp	Minimal Review	Nominal Participation	Active Participation	Catalyst
Never knows what to do, if anything; no degree of involvement	Permits officers to make all decisions. It votes as the officers recommend on action issues.	Formally reviews selected issues that officers bring to its attention.	Involved to a degree in the performance or review of selected key decisions, indicators, or programmes of management.	Approves, questions, and makes final decisions on mission, strategy, policies and objectives. Performs fiscal and management audits	Takes the leading role in establishing and modifying the mission, objectives, strategy, and policies. It has a very active strategy committee.

Source: Astrachan et al. (2006)

2.5 Inside the boardroom

This section examines literature focusing on the workings of the board, including diversity on boards, board processes, board size (and its possible relationship to company performance), director tenure and behaviour, decision making, board meetings and agendas. It seeks to extend the previous section and achieve a deeper understanding of the formal and informal roles assumed by boards of directors in SMFBs by opening up the 'black box' and facilitates the focus on elements inside the boardroom by exploring those factors that affect the decision-making process inside the boardroom. In addressing these issues, the section will also help answer the fourth research objective, as it will provide the evidentiary foundations for the development of a family business board model.

Alderfer (1988) and Voordeckers et al. (2007) point out that board composition research which focuses solely on the traditional distinction between inside and outside boards ignores the unique dynamics of family businesses. Instead, they propose that researchers differentiate between family boards, inside boards and outside boards, without prioritizing one over another. Schwartz and Barnes (1991), meanwhile, distinguish between all-family boards, family-management boards containing at least one family member and at least one representative of the management, and quasi-boards with at least one professional or retired company executive added to family and manager-directors.

2.5.1 Executive diversity on boards

There are numerous definitions found in the literature which illustrate the diverse nature of terms used for similar board members and their roles. Researchers differentiate between legal executives and non-executives (Zahra, Neubaum and Naldi, 2007), while others use the terms inside and outside directors (Gabrielsson and Huse, 2005). Fiegener,et al (2000;)) differentiate between owner directors and non-owner directors within the outside director category in small private firms. Finkelstein and Hambrick (1996) distinguish between inside directors, outside directors, affiliated directors and family directors, while Pearce and Zahra (1992) sub-divide outside directors into affiliated and non-affiliated. Alderfer (1988) suggests that outside directors (either non-family and/or non-executive) have different degrees of 'outsiderness', though he does not suggest how this can be measured. In the US, Anderson and Reeb (2004) distinguished between independent, affiliated and insider directors. They defined independent directors as those whose only business relationship with the firm is their directorship; affiliated directors as those with an additional potential or existing business relationship with the firm (such as consultants, lawyers, financiers and investment bankers); and insider directors as those employed by the firm, retired from the firm, or immediate family members. The general consensus in best practice literature is that in a family business, a balanced board including independent, non-family directors is likely to contribute positively to the value creation process, as long as the values and aims of the family and the company are aligned (Coutts, 2011; IOD, 2011).

Research suggests that privately owned family companies are less likely to appoint independent directors to the board. Gallo et al. (2006) compiled a sample of 305 Spanish firms, finding that family businesses had a higher proportion of shareholding board members than non-family businesses. Voordeckers et al. (2007), meanwhile, found that in their sample of 211 limited liability Belgian companies with between 5 and 250 employees, the significant determinants of board composition in family businesses were CEO power, generational transition and the family's goals for the firm. Their finding that family-related contingency variables are more significant than CEO-related contingency variables led them to argue that board composition is better explained from the resource-dependence and added-value perspectives than by agency theory. In Germany, Jaskiewicz and Klein (2007) compiled a sample of 548 privately owned family businesses with sales of more than 1 million Euros. Companies exhibiting a high level of goal alignment between owners and managers tended to have comparatively small boards and a low proportion of outside directors. Conversely, large boards with a high proportion of outside members were likely to be an indicator of conflict between owners and managers. Finally, Fiegener et al. (2000) examined a sample of 2,365 small (under 500 employees) privately held US firms, finding that a higher level of family ownership tended to mean fewer independent board directors. They concluded that outside boards are more common when a high proportion of the equity is held by individuals outside the firm, and when the CEO is older and not planning to hand leadership over to another family member. They also concluded that family businesses primarily create outside boards at the request of external owners, and only secondarily for the other benefits associated with outside directors such as service and/or resource benefits.

All of the above studies suggest that board diversity is significantly influenced by the degree of alignment that exists between the goals of owners and managers, and that board characteristics in family firms are a reflection of family characteristics and objectives (Corbetta and Salvato, 2004). The impact of governance codes, however, is less universal; the studies suggest that their recommendations regarding outside directors are most likely to be heeded where the firm has a significant level of external engagement. These codes strongly recommend the inclusion of both inside and outside directors on the grounds that this will ensure the board is properly monitored, its resources are broadened, and it will be better able to recruit directors, protect stakeholders' interests and resolve conflicts. The above studies suggest that not all family firms agree with this view, and nor do all academics (Ford, 1988; Jonovic, 1988). Some suggest that outside members can cause conflict on the board because they lack knowledge of the firm, the family and the environment (Ford, 1988:144). Their lack of authority or any definable interest may also create friction (Jonovic, 1988:129). These authors argue that family firms find it difficult to let in outsiders and to learn to see them as a resource to be included, trusted and used. However, researchers claim that the function of the board of directors is even more decisive for family businesses (Castaldi and Wortman, 1984; Nash, 1988; Ward, 1992; Corbetta and Tomaselli, 1996).

2.5.2 Family diversity on boards

Although some families regard access to the boardroom as a birthright, researchers agree that directors must earn their place (Miller and Le Breton-Miller, 2005; Aronoff and Ward, 1997; Danco and Jonovic, 1981). Directors, whether family members or not, should bring a set of qualities to the table, including: the ability to think strategically, industry experience (ideally outside the family firm), understanding of and the capacity to deal with issues before the company or in its future, the ability to earn the trust of the family and employees, and the ability to work with everyone. Davis (2006a) advises that directors: '...should be able to read the company's reports, recognizing if there is any important missing information.... and have appropriate knowledge of securities laws, compliances as well as... family's history in the business and the basic dynamics of the family group'. Lansberg (1999:293, 294) also suggests that it is desirable for a director to be familiar with the succession process in other family businesses at comparable stages of development, and to have a network of contacts.

Access to the boardroom can be a crucially important factor in attracting and maintaining talent; if non-family senior executives realize there is a glass ceiling within the company, they are likely to become de-motivated or even leave (Coutts, 2011). A clear and transparent recruiting process is therefore essential, not only to retain this talent and encourage diversity, but to avert the risks of cronyism and groupthink. In the US, Schwartz and Barnes (1991) provided empirical evidence of the benefits of recruiting non-family directors. Their study of 262 family businesses in the US showed that the more outside board members were on the board, the better the company performance. Conversely, the more inside family members were on the board, the worse the company performance (though it should be noted that many FBs are not oriented solely towards financial success). Vilaseca (2002), meanwhile, studied a sample of 156 shareholders and executives from 10 Spanish family firms and found a positive and statistically significant correlation between the number of outsiders and the commitment level of non-employee shareholders. He also found a negative correlation between the number of family members on the board of directors and their degree of commitment to the family business. Results therefore seem to suggest that having they mostly seem to support having more non-family directors, despite this non-family Directors are seldom found in SMFBs.

2.5.3 Gender diversity on boards

The Davies Review (2011) focused on gender equality on boards. The Equal Opportunity Act of 1975 and the Equal Pay Act of 1970 (amended 2008) stipulated the equal treatment of both genders, yet there is still a significant discrepancy in terms of their representation on boards of directors (Equal Opportunity Act, 1975; Equal Pay Act, 1970; Sealy et al., 2011; Martin et al., 2008). While women represented 56.8% of all graduates in 2004 (Graduate Prospects, 2005) and 46% of the workforce in 2009 (Equal Opportunities Commission, 2009), they are still in the minority on boards and under-represented at top management level (Equal Opportunities Commission, 2008). Many complain that they reach a glass ceiling or are unable to penetrate the 'old boys' network' (Burke, 1997). In response to this evidence of inequality, the Davies Review (2011) set out what it saw as best practice in regard to female representation on boards. It encouraged companies to make the Board 30% female, advocating a 'comply or explain' rule but no sanctions. However, despite the Davies Review, there is still no consensus on how to increase the representation of women at board level.

Family business researchers assert that in societies around the world, the right of succession usually rests with the male family line, while entrepreneurship researchers argue that women often start up their own businesses because they are disillusioned with the (male-dominated) business environment. Researchers investigating gender diversity on business boards have employed a variety of methodological approaches; they have compiled case studies of women on boards (Burke and Mattis, 2000), composed researcher narratives (Fletcher, 2007) and collected quantitative and qualitative data on women directors (Kessner, 1988; Burgess and Tharenou, 2002; Roffey et al., 1996; Rose, 2007). As yet, however, there is very little data on the level of female representation in SMFBs in the UK..

2.5.4 Board processes

Research into board processes has mostly employed agency theory; results have so far been inconclusive, though the importance of contextual factors has become apparent. Pye and Pettigrew (2005:S31) divided these contextual factors into internal organizational factors and external environmental factors, although they recognized that: 'these boundaries are sometimes permeable' (Pye and Pettigrew, 2005:S31). Although the usefulness of agency theory as a lense for understanding board processes has been challenged by Roberts et al. (2005), Pye and Pettigrew (2005) and Huse (2005), there has been little progress in finding a better alternative.

Gregory and Simmelkjaer (2002), Kets De Vries (1993) and Tagiuri and Davis (1996) have all suggested that board processes in family firms are facilitated by the strong sense of identity and unity typically found in these firms. Much research has been done into the factors that can threaten this unity, such as nepotism, disagreements over strategic vision, miscommunication and other external and internal events. Sonnenfeld (2002) suggests that the primary determinant of board success or failure is how board members interact and communicate with each other, the management and other stakeholders, while Roberts and Stiles (1999:41) argue the importance of trust for building and sustaining long-term relationships. Although trust is an important issue within FB, SME and governance research, deeper examination of this topic is beyond the scope of this thesis.

2.5.5 Board size

Research into board size has considered a number of issues. Family business board research by Coutts and UCL, conducted among non-SMEs, suggests that the size of the board depends heavily on the size of the family, its readiness to accept new family members (of either gender) and the existence of internal family governance structures such as family councils. Ward (2005), meanwhile, offered the following guidelines for deciding board size:

> 'Always have an odd number of directors to avoid deadlock, and ideally a board should include at least three independents. One or two independents can be isolated, whereas three bring much more creativity, challenge and courage, and much less politeness – in short, three contribute the most in terms of family company boardroom dynamics.'

Others have focused specifically on the link between board size and performance. Dalton et al. (1999) conducted a meta-analysis of 131 samples (representing a total of 20,620 companies of varying sizes), aggregating the results of a range of studies to estimate the relationship between board size and performance. The results indicated a non-zero, positive relationship; in other words, the bigger the board, the higher the performance. They found that in the US (where SMEs are defined as companies making less than $300 million in annual sales), board size had an even greater effect. It should be noted, however, that other attempts to establish a relationship between board size and performance have indicated a negative correlation (e.g. Yermack, 1996; Min-Hsien and Jia-Hui, 2007; Beiner et al., 2004). This variation in results may be partly due to the lack of a commonly accepted way of defining performance. There is a general consensus in family business research that family businesses seek long-term returns on their investment and that intangible values such as family cohesion are also important. Researchers need to take these factors into account, adapting their methodology to cover a longer time frame and finding ways to measure performance in non-monetary as well as monetary terms.

The family business return on investment (FBROI) measure is one way in which researchers might quantify family business performance (Fakoussa, 2014). The FBROI seeks to assess the extent to which a business achieves the family's aims and lives up to its values by measuring performance outcomes such as board effectiveness (as defined by directors or the company in self-assessments or annual appraisals) alongside financial performance. Potential drawbacks of the FBROI are that appraisals and self-assessments may differ between companies in terms of style and complexity, making evaluation and comparison problematic, and that gaining access to such sensitive documents is likely to be very difficult. Nevertheless, a scale such as the FBROI would offer a standardized way of measuring the relationship between board size and performance in family businesses, and for this reason, it merits further research and development.

2.5.6 Director tenure

Director tenure is another much debated area in board research. Best practice suggests that terms of membership should be clearly defined and that regular appraisals should be conducted in order to avoid groupthink, stale dynamics and the emergence of cliques. Gersick et al. (1997) suggest that directors should initially be appointed for a fixed term, and that only extraordinarily versatile individuals should be reappointed for a second or third term. They argue that having an overwhelming majority of family members can restrict the flexibility of a board (Gersick et al., 1997); it may be disproportionately impacted by family dynamics or nepotism, or become stuck in a battle between those defending short-term versus long-term shareholder value. Lansberg (1999) agrees, suggesting that having clearly defined contracts for all directors, whether family or not, means the board can make the most of its knowledge and experience (he suggests that directors become less effective over time). Lansberg (1999) also advises staggering directors' terms so that the board will have a degree of continuity.

Kenyon-Rouvinez and Ward (2005) found that terms of office in family businesses depend on a number of variables, such as the director's age, their stake in the company, the number of family members on the board and whether there are other candidates (Kenyon-Rouvinez et al., 2005). The same point is made by Danco and Jonovic (1981:107). Other influential factors include the rate of change in the industry, the complexity of the business, the age of the board, the need for continuity, and the wishes of outside directors. Numerous authors conclude that the term of office for board members should be defined ex-ante. The suggested time periods vary, but the general view is that terms should be long enough to allow the sharing of knowledge among board members and to strengthen the company's long-term perspective, but short enough to encourage adaptability. Finally, Astrachan et al. (2006) argue that the limiting of tenure promotes accountability.

2.5.7 Decision making

Decision making may be defined as the formulation, implementation and evaluation/monitoring of decisions (Judge, 1989). Fama and Jensen (1983:278) identified four steps in the decision-making process:

Table 2.8 Decision making table

Stage/ Label	Description	Application to SMFB board
Initiation	Proposals for resource utilization and structuring;	Suggestions put on/dropped from agenda;
Ratification	Choosing of initiatives to be implemented;	Directorial input: making an argument, leading the discussion, gauging nuances, ending in a voting process;
Implementation	Execution of ratified decisions;	Process and procedures carried out by management
Monitoring	Measurement of the performance of decision agents and implementation of rewards.	Board evaluates results.

Source: Adapted from Fama and Jensen (1983)

However, Fama and Jensen (1983) do not take into account the human element (the effects of individual personalities and their interaction) when in fact, the smooth functioning of the decision-making process depends on directors' relationships and negotiating skills. Nor are these relationships static; like families, organizations move through a lifecycle. The various needs of boards, families and management, and the relationships between them, have to be managed at each stage of this lifecycle.

Forbes and Milliken (1999) identified the socio-psychological factors that influence decision making, specifically effort norms (the efforts of individual directors to prepare and participate), cognitive conflict (lack of openness to debate and the exchange of ideas) and the presence and use of knowledge and skill (individual directors' knowledge about the company and the industry sector, and the board's collective ability to exploit this knowledge). Intragroup decision making is further affected by the group's underlying norms, roles and relations and by its common goals. Wageman (1995) describes the interdependence of group members, suggesting that the group collectively influences the behaviours, attitudes, opinions and experiences of individual members. Where directors share a background or family connection, this interdependence is likely to be even stronger. The emergence of sub-groups within a board (e.g. a family group) can adversely impact both the decision-making process and group cohesion (Dion, 2000). Forbes and Milliken (1999) define cohesion as the board's capacity to continue working together despite disagreements. Searle (2010:135) points to the difficulty of distinguishing whether a behaviour 'is prompted by an external event or an internal trait'.

Calabrò and Mussolino (2013) explored a sample of 101 Norwegian family SMEs, hypothesising the positive effect of independence in board behaviour (formal governance mechanism), relational norms and trust (informal governance mechanisms) in view of internationalisation.. The results showed that formal and informal governance mechanisms can co-exist complementing and supplementing each other, thus positively influencing family SME export intensity.

2.5.8 Board meetings

Although the importance of understanding board behaviour is increasingly appreciated, relatively little is known about board meetings (Carter and Lorsch, 2004; Charan, 2005; He and Huang, 2011). Board meetings are the main collegial space for directors to execute their roles, duties and responsibilities and to contribute to decision making. The current, limited research on board meetings portrays them as homogeneous and monolithic (Monks and Minow, 2008; Tricker, 2009), raising the question of whether they are as important as is generally believed. Are the important decisions actually made outside the boardroom?

The literature offers various recommendations on how often board meetings should be held and what form they should take. Davis (2006a) suggests board meetings should be held once each quarter and should last between one and two days; Gersick et al (1997) observe that quarterly meetings keep the board focused on the big picture rather than on details. Ward (2005) suggests that family businesses need to meet between three and six times a year. Gregory and Simmeljiker (2002) claim that the European average is about eight meetings per year. It has been argued that having more than six meetings a year can cause a board to adopt a more managerial role; family business boards that meet monthly or weekly, as is common in some Latin American countries, risk micro-managing and becoming intrusive in day-to-day operations. Conversely, too few meetings may lead to inadequate communication between board, management and shareholders – it may also signify a lack of strategic vision.

According to the family business literature, boards that meet formally at least four times per year generally also hold additional monthly executive committee meetings. These are attended by lead directors, the Chairman, the CEO and senior management (Ward, 1992). This ensures that the lines of communication are kept open between board and management, and board and shareholders.

2.5.9 Agendas

Good practice guidelines suggest that Board meeting agendas should be circulated in advance of board meetings (IOD, 2011), although in extreme circumstances, an extraordinary board meeting may be called for a specific purpose and take place without an agenda. Agenda items may include recommendations from the senior management team, financial updates and other information. The board's analysis of this material may lead to the formulation of future strategies. Like minutes, agendas are confidential but may be used in court in the UK. In research terms, agenda items are a relatively new unit of analysis (Lawler et al., 2002), and there is little available material in this area.

2.6 Theoretical considerations

Huse (2000) identified four seminal review papers that focus on boards in SMEs: these were written by Zahra and Pearce (1989), Pettigrew (1992), Johnson et al. (1996) and Forbes and Milliken (1999). Zahra and Pearce (1989) developed a model that considered board attributes (composition, characteristics, structure and process) and board roles (service, strategy and control) from four distinct theoretical perspectives (legalistic, resource dependence, class hegemony and agency). They suggested that future research 'should combine reasoning from the various perspectives' (cited in Huse, 2000) and that extensive fieldwork was necessary 'to better understand, document, and operationalize board variables' (Zahra and Pearce, 1989:327).

Pettigrew (1992) researched managerial elites from three perspectives: interlocking directorates and the study of institutional and societal power, the study of boards of directors, and the compositions and correlates of top management teams. He concluded that board research is still at an early stage and that: 'Studies of processes inside and outside the boardroom are rarely conducted' (Pettigrew, 1992:169). He suggested that: 'Before links can be made between independent (most often board composition) and dependent (most often various measures of company performance) variables in research about boards, there is a need to go deeper into the substance' (1992:173). Like Zahra and Pearce (1989), he advocated combining theoretical perspectives.

Johnson et al. (1996) commented on the increased attention being paid to boards of directors following Zahra and Pearce's (1989) review, reporting that this was the most frequently published topic in business and academic journals. They remarked, however, that most of this attention was directed towards analysing board composition (the independent variable) and company performance (the dependent variable). Johnson et al. (1996) examined research that focused on the theoretical board roles of control, service and resource dependence. Despite more research being available, their conclusions echoed those of Pettigrew (1992) and Zahra and Pearce (1989); they found 'little consensus as to the specific configuration of elective boards' (Johnson et al., 1996:410). They concluded that board diversity may not be the only relevant factors and argued that deeper understanding is needed of the 'boardroom norms that appear to dampen director action' (Johnson et al., 1996:432, 433).

Forbes and Milliken developed a model of board dynamics that linked board demography with performance. They also highlighted the need to understand board processes. Drawing upon small-group decision-making literature, they concluded that researchers should look 'beyond the composition ratios' (1999:502) and focus directly on what boards are doing. They argued that process-oriented models might go some way towards explaining the inconsistencies in mainstream board research.

Looking at the reviews conducted by Zahra and Pearce (1989), Pettigrew (1992), Johnson et al. (1996) and Forbes and Milliken (1999), Huse (2000) concluded that researchers have generally ignored board relationships and instead concentrated on producing input-output models and investigating ratios. Even so, the exact nature of the inputs and outputs in a board room and the process connecting the two remain under-explored. This view was echoed in 2013 by Bezemer et al., who commented on the limited progress that has been made in regard to input-output models.

Among other studies conducted in this area, Van den Heuvel et al. (2006) reviewed board role studies in the SME/family business context and found that the most commonly used theoretical paradigm was agency theory, sometimes in combination with the resource dependence perspective and/or the resource-based view. Bammens et al. (2011) reviewed the family business board literature, finding that the board is generally defined as an internal administrative body whose main tasks are to exercise control and provide advice. Concluding that the findings in these studies were influenced by the researchers' choice of theoretical lens, Bammens et al. (2011) emphasized the importance of adopting the right theory, and the need for multi-theoretic, process-orientated and contextualized approaches within FB board research.

2.6.1 Theoretical lenses

Researchers have used a number of theoretical perspectives or lenses to investigate the importance and usefulness of boards. These theoretical perspectives include agency theory (Fama and Jensen, 1983), stewardship theory (Muth and Donaldson, 1998), institutional theory (Lawrence and Lorsch, 1967), contingency theory (Thompson, 1967) and stakeholder theory (Freeman, 1984) (see Appendix B). The following discussion focuses on the lenses that are most relevant to SMFBs.

Agency theory (which is attributed to Jensen and Meckling, 1976) posits that the primary role of the Board is to separate ownership and management within the company; it controls management (the agent) in order to protect the interests of the owners (the principal) (Jensen and Meckling, 1976; Eisenhardt, 1989). In contrast, stewardship theory posits that it is unnecessary to monitor management, since it has the same ultimate goal as the company: to continuously improve company performance through innovation, international expansion and/or sales growth. Under stewardship theory, board members are regarded as insiders and the board's primary role is to define organizational strategy (Muth and Donaldson, 1998). Stakeholder theory emphasizes the importance of maintaining consensus among all stakeholders regarding the company's activities. The board's function is to identify and resolve any potential conflicts of interest among the various stakeholders and to foster cooperation between all parties (Donaldson and Preston, 1995; Luoma and Goodstein, 1999). Resource dependence theory, on the other hand, suggests that the Board's primary function is to control critical environmental resources (such as know-how, communication channels, social legitimacy) so as to achieve business success (Pfeffer and Salancik, 1978). To do this, directors exploit their social and professional networks; in this way, the board of directors becomes the main link between the internal and external environments (Johannisson and Huse, 2000). Table 2.8 summarizes how these four lenses have been used to interpret board roles (for further details of the seven different lenses which have been employed to examine board roles (Alberti, 2001; see Appendix B).

Table 2.9 Four lenses that have been used to interpret board roles

Agency theory	-controlling agent (manager) acts on behalf of the principal (shareholder) -separation between ownership and management -Board's main function is control of management in order to protect ownership interest	(Jensen and Meckling, 1976; Eisenhardt, 1989).
Stewardship theory	- management and board goals aligned - to improve company performance - Board is mainly made up of insiders, and its primary role is to define organizational strategy	(Muth and Donaldson, 1998).
Resource dependence theory	-control critical environmental resources -control company resources through social and professional networks including strategic 'interlocking Directorates'	(Pfeffer and Salancik, 1978; Johannisson and Huse, 2000).
Stakeholder theory	- maintain consensus among all stakeholders regarding organizational activity - resolve conflicts of interest among stakeholders - achieve climate of cooperation between all parties for the success of the company	(Donaldson and Preston, 1995; Luoma and Goodstein, 1999).

According to Hillman and Dalziel (2003), agency theory sees the board's role as being to monitor and control management through the use of extrinsic motivators such as compensation and bonuses. Stewardship theory takes a more sociological/psychological approach in its emphasis on the collaboration between board and management and the empowerment of managers (Davis et al., 1997). It sees the board as acting primarily in an advisory capacity, and assumes managers will identify with the firm and its interests. In contrast, agency theory assumes that managers and owners distrust each other, and that managers must be controlled and seen as agents. Much research focusing on boards uses the agency perspective, but Davis et al. (1997) argue this is not appropriate for family businesses. They suggest that the basic assumptions of agency theory are wrong in this context and that stewardship theory is better suited to FB board research.

Table 2.10 Comparison of agency and stewardship theories

		Agency theory	Stewardship theory
Basic assumption		Assumes inherent conflict of interest between managers' behaviours and interests and the interests of principals.	Assumes alignment of interest and behaviour of managers and the interest of principals.
Model of man		Economic, self-serving	Self actualizing, collective serving
Psychological factors	Motivation	Lower order (economic) needs – Extrinsic	Higher order needs – Intrinsic
	Identification	Low value commitment	High value commitment
	Use of power	Institutional	Personal
Situational factors	Management philosophy	Control oriented Risk orientation: control mechanism Time frame: short term Objective: cost control	Involvement oriented Risk orientation: trust Time frame: long term Objective: performance
	Culture	Individualism – high power distance	Collectivism – low power distance

Source: Davis et al. (1997)

2.6.2 Market Model versus Control Model

A further alternative theoretical lens for interpreting boardroom behaviour is the Market/Control Model. Gregory and Simmelkjaer (2002) and Mobius (2001) suggest that in most Control Model countries, the emphasis is on promoting the company's interests, while in Market Model countries such as the UK and US, it is on promoting the shareholders' immediate interests. The Market Model places a premium on accountability; how this is achieved and who the recipient is will depend on the objectives of the business (Gregory and Simmelkjaer, 2002). Astrachan et al. (2006), investigating the extent to which family business boards are influenced by the prevailing cultural context, concluded that boards in Market Model countries are characterized by a high level of disclosure, while boards in Control Model countries (mostly in continental Europe, Latin America and Asia) are very secretive. Proponents of the Market Model argue that family business governance lacks objectivity; the family may have a strong influence over the management and the Board, particularly if the founder is the main shareholder. In contrast, the Market Model is associated with dispersed shareholders and high liquidity, and generally involves investors who have no prior connection to the company (Coombes and Watson, 2001). While the success of a family business is judged partly in terms of non-financial returns and the long-term health of the business, Market Model businesses seek only to give investors a high return on their investment within a short space of time. Thus, like agency theory, this model seems ill-suited as a way of understanding FBs and SMFBs.

Table 2.11 Comparison of Market and Control Models

	Market Model	Control Model
Setting	Prevalent in UK, US	Prevalent in continental Europe, Asia, Latin America
	More reliance on public markets	More reliance on private capital
	High ownership liquidity	Illiquid ownership
	Shareholders are anonymous investors, not managers	Concentrated shareholder base often overshadows minority shareholders
	Widely dispersed shareholders	Shareholders view company as more than an asset and are interested in financial and non-financial returns
	Shareholders only have financial connections to the company	
Elements of governance	High level of disclosure	Secretive
	Focus on short-term strategy	Focus on long-term strategy
	Independent board members	Shareholders with control rights in excess of cash flow rights
	Shareholders view company as one of many assets held	Shareholders have connections to the company other than financial (i.e. managers, board members, family)
	Ownership and management are separate and at arm's length	Insider board members
		Ownership and management overlap significantly

Source: Astrachan et al. (2006)

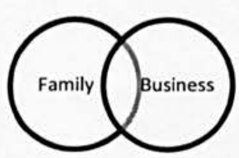
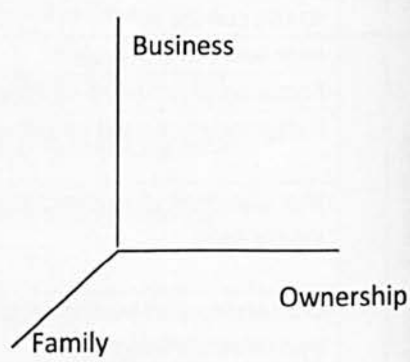
Countries employing the Control Model must ensure that boards have a distinct identity, are capable of objectivity and able to act separately from management (Gregory and Simmelkjaer, 2002). Market Model businesses seek to eliminate current and potential conflicts of interest by separating the management and the business from the Board, and by having a high level of financial and business disclosure. In contrast, in Control Model businesses, control rights are not necessarily separated from ownership, and ownership is concentrated. Coombes and Watson (2001) suggest that shareholders of Control Model companies are often managers as well, which results in these shareholders having controlling rights significantly in excess of their cash flow rights. Conflicts of interest are inevitable in the Control Model, so it seeks to institutionalize rather than eliminate them. In most family businesses, family shareholders will want to influence the company's values and how it is run. Shleifer and Vishny (1997) show that these shareholders are investing not in the expectation of short-term gains, but to secure long-term benefits (not necessarily monetary) for their own and future generations. In contrast, Market Model corporations seek short-term gains.

Astrachan et al. (2006) argue that governance best practices are commonly biased towards the Market Model and suggest that this bias has arisen because of the media attention surrounding cases of corporate abuse in the UK and the US of large public companies. The Market Model's emphasis on transparency, financial disclosure and independent boards is supposed to guarantee objectivity and reassure all stakeholders, but Astrachan et al. (2006) point out that there is a flaw in this thinking; the model also assumes that managers and owners have different interests – in other words, managers might be more interested in their own personal welfare than that of shareholders.

2.6.3 Systems theory

Systems theorists such as Barnes and Hershon (1976), Hollander and Elman (1988) and McCollom (1988) have attempted to identify and integrate the family and business subsystems. Lansberg (1983) developed the two circle model showing the overlap between family and business, while Tagiuri and Davis (1982) went one step further, producing a three circle model encompassing family, business and management. Using similar systems, Gersick et al. (1997) formulated a model which allows identification of the FB's developmental stage (a first generation FB will have a different ownership, business and family structure from a third generation FB).

Figure 2.1 Family business system models

		
(Beckhard and Dyer, 1983; Lansberg, 1983)	(Tagiuri and Davis, 1982)	(Gersick et al., 1997)

2.7 Guiding Concepts

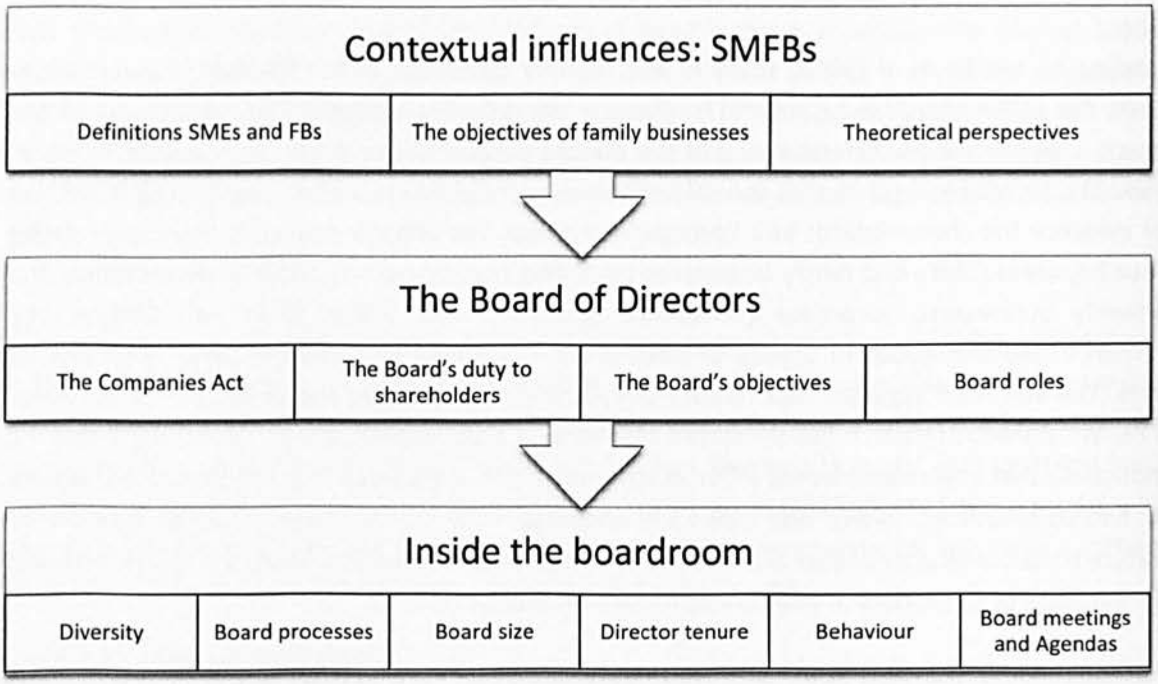
Expanding on Martin et al (2008) study of the number of Boards in the UK this research set to discover the SMFB board landscape and to discover the different contexts. The primary aim of this research is to provide an understanding of the diverse approaches to governance within SMFBs in the UK. The literature suggests that the role of boards are significant in the behaviour of SMFB, yet prior evidence has shown boards as a homogenous group. The chapter considers literature relating to four key areas: SMEs and family businesses (including how objectives differ between family and non-family businesses); corporate governance (generally, and within SMEs and SMFBs); the governance role and duties of boards of directors in UK companies; and the 'inner workings' of boards. The literature suggests that board roles significantly influence the behaviour of individual SMFBs, yet previous research has portrayed boards as a homogenous group. Sections 2.2 and 2.3 demonstrate that governance needs differ in different types of organization, and that often, despite their limited resources, SMFBs and SMEs are encouraged by policy makers and the governance literature to follow structures that are more suitable for larger companies. Thus, the review provides initial evidence of the variety of boards and the importance of context.

The chapter gives an initial insight into the external influences that shape the board's role in UK SMFBs and identifies those internal factors, such as diversity, size, tenure and decision-making processes, that affect both the formal and informal roles played by directors and how they run SMFBs. Existing board research, though inconclusive, highlights the potential influence of family cohesion, group dynamics and context. However, this research is predominantly quantitative in nature and treats boards as a homogenous group; most of it suggests that boards follow financial aims, while SMFB research investigates non-financial aims. This is further evidence of the need for in-depth SMFB board research.

The chapter considers the various theoretical perspectives that have been adopted by researchers to explore board roles in SMEs and SMFBs. It shows that governance research has been predominantly quantitative in nature and based on agency theory. This lens sees boards primarily as having a monitoring function. However, the family business literature identifies more strongly with the stewardship lens. The literature review significantly influenced the choice of methodology in the study; it was decided to use qualitative methods because these would facilitate a more nuanced exploration of SMFBs and make it possible to present original evidence of the existence of different types of boards.

The study seeks to build on the work of Astrachan et al. (2006) and find empirical evidence for their spectrum of family business boards, in order to gain deeper insight into the boardroom and the different family dyads within it. Figure 2.2 summarizes the areas of literature covered in the review; these served as the first emerging themes for both data collection and the for the fourth objective of the thesis, which was to develop an original family business board model (see Section 5.11).

Figure 2.2 Guiding Concepts



2.8 Conclusion

Although family businesses play a significant role within the UK economy, SMFB research in the UK is still in its early stages. The corporate governance research that has been conducted in the UK has mostly focused on public companies, while international governance research is predominantly US-based. However, national variations in terms of legal framework and approaches to best practice mean that findings from one national context may not always be transferable to another.

This chapter surveys the research that has been conducted so far. Researchers looking at the boardroom from outside have drawn a range of conclusions about the duties and objectives of boards. Similarly, those researchers focusing on board roles have variously interpreted the term to refer to the tasks and activities undertaken by the board as a whole, the level of involvement it has within the company, and the role played by individual directors. This definitional confusion has to some extent hampered progress.

The problem is compounded by the difficulties researchers face in gaining access to boards and to information – a problem acknowledged in almost all research papers in this area. Even when access is granted, it is difficult to observe unmodified director behaviour *in situ*; when Lockhart conducted a longitudinal case study of one New Zealand board, his respondents commented on the unusual behaviour of fellow directors when the researcher was present (Lockhart, 2006:39). It has also been suggested by Huse and Gabrielsson (2004) that the 'publish or perish', US-inspired deductive approach has encouraged scholars and doctoral students to rely too heavily on easily available data and well-established methods, since these are most likely to lead to tenured positions. According to Huse and Gabrielsson (2004), this has had an adverse impact on governance research. The implication is that researchers are more motivated by careerism than by the pursuit of knowledge for its own sake.

This chapter has contributed to the overall aims of the thesis by guiding the research direction and adding value to identifying various roles played by boards of directors in SMFBs and furthering the examination of formal and informal roles played by directors and ascertaining their significance .

This chapter suggests that the widespread reliance on agency theory may have biased previous studies. A review of the literature shows that different theoretical lenses have yielded different results, highlighting the influence of perspective and supporting the case for the implementation of new methodologies in this area. Accordingly, this study takes a fresh approach, adopting Astrachan's et al. (2006) spectrum of board participation as a framework and gathering first person narrative accounts from directors to supply empirical evidence in support of the theoretical model. The use of first person narrative allows directors' voices to be heard and identified in context to other board members, highlighting the formal and informal roles which influence board dynamics.

3 Chapter 3 – Methodology

3.1 Introduction

This chapter considers the methodology that has been employed to examine SMFBs and the assumptions underlying in this research. Previous family business board research, like other governance research, has generally deployed agency theory and been 'input-output' oriented. As a result, it has yielded widely diverging results. However, scholars now suggest that more contextual research is needed, especially in regard to family business boards. These boards must grapple with the additional tasks of maintaining the family relationship, strategic participation and networking (Koeberle-Schmidt et al., 2009; Lange and Sahu, 2008), all of which can influence board dynamics. Therefore, this research adopts the case study approach to gain in-depth knowledge of how boards of directors operate within the SMFB context in the UK.

This methodology chapter looks at the ontological and epistemological framework of the research, and the research process, including the data collection methods, the sample selection process and the case study approach. The purpose of the methodology chapter is to critically evaluate the various data gathering techniques in order to identify the most useful method to answer the research question and explain the emerging issues.

3.2 Research process

Saunders, Lewis and Thornhill (2007) suggests that the research process has no rigid rules, although he advises using a mix of methods.

The research process for this study comprised the following stages:

- formulation and clarification of the research topic
- identification of areas where more research was needed
- identification of the research question
- selection of the most suitable approach
- collection of data
- analysis of the collected data

In line with the exploratory nature of the study, data collection was a four-stage iterative process; following the examination of the literature (on boards, family business boards and SME boards), the researcher sought access to a number of boards. The third stage was the interviews with directors though as with qualitative research in general interviews influenced each other. The fourth stage was to understand how the research had evolved due to the different interviews and influences and gain more in-depth results though re-interviewing (individuals were interviewed between one and three times). The approach echoes Archers Bootstrapping (1988) with a cyclical learning effect between the data collection and analysis, meaning that interviews, data collection and analysis were continuously refined.

3.2.1 Research approach

This research adopts the interpretivist approach, since this epistemological stance sees humans not as objects but as social actors and is therefore suited to the study of complex human interactions. Interpretivism also allows the researcher to acknowledge their own role within the research process, adopt an empathetic stance while acknowledging the effects these may have. The interpretivist principle guided the interviews. In ontological terms, objectivists view the organizational culture as something an organization 'has', while subjectivists see it as something the organization 'is' (Smircich, 1983). The objectivist view may be too simplistic if one's aim is to research 'the details of the situation to understand the reality or perhaps the reality working behind them' (Remenyi et al., 1998:35). In this case, it was necessary to explore the individual realities of the social actors involved – the directors – in order to gain a deeper understanding of the role of the board and its directors and of what happens in the boardroom.

3.3 Research strategy

A research strategy can be defined as a general plan as to how one will answer the research question. This study adopts the subjectivist paradigm, employing a multi-stage, longitudinal, process-based methodology. Like most qualitative studies, it combines elements of both the deductive and inductive approaches. The inductive approach was chosen as, alongside the collection and analysis of primary data from boards of directors, secondary research has also been conducted. Not only does this enable the researcher to gain a deeper understanding of the topic, but it also allows for changes of emphasis as the research progresses (Saunders, Thornhill and Lewis, 2009; Scandura and Williams, 2000). Furthermore, the inductive approach is less concerned with the need to generalize and more with developing the understanding that the researcher is part of the research process.

This is an exploratory study. Exploratory research is a valuable way of finding out what is happening, seeking new insights, asking questions and seeing phenomena in a new light – in this case, leaving behind the agency theory and input-output models that dominate previous board research and examining UK SMFBs through the lens of context. This type of research is founded on 'a careful search for literature and a consultation of professionals who are experts on a certain field' (Saunders, Thornhill and Lewis, 2009). Accordingly, a careful review was conducted of the literature to gain insight into the key terms and issues.

3.4 Data collection

This thesis draws upon both the literature and primary data. The literature was drawn from a variety of sources including academic journals, PhD theses, conference papers, books and academic and business websites in order to gain background knowledge, identify the research gap and the scope and context of the research. Primary data was collected by means of semi-structured interviews employing closed and open-ended questions. These interviews yielded in-depth information in directors' own words. The collection of secondary and primary data allowed the triangulation of the findings. Laws et al. (2003:281) defines triangulation as 'the ability to see the same thing from different perspectives and thus be able to confirm or challenge findings of one method with those of another'. Denzin (1989) identified four types of triangulation: across data, sources (i.e., participants), theories, methods (i.e., interview, observations, documents), and among different investigators. In this case triangulation occurred between investigators as themes were discussed with both interviewed directors and consultants. Triangulation has been strengthened by gathering data from a range of boards and directors (ensuring a range of perspectives) over time.

3.4.1 Secondary research

The field of family business research as a scholarly discipline is quite young (Siebels and zu Knyphausen-Auseß, 2012); few scholars paid much attention to the specificities of family-owned and -controlled companies prior to the 1980s (Heck and Mishra., 2008). This might seem surprising given the fact that several studies in various disciplines (e.g. Burkart et al., 2003; Claessens et al., 2002; IFERA, 2003; Villalonga and Amit, 2006) emphasize the often dominant role these organizational forms play in many countries. The importance of the field and apparent lack of scholarly attention in the past, academia has begun to develop research around the family business phenomena. This has led to specialized academic conferences, journals and articles being promoted. Journals such as *Family Business Review (FBR), Entrepreneurship, Theory & Practice (ET&P), Journal of Business Venturing (JBV)* and *Journal of Small Business Management (JSBM)* are regarded as 'the most appropriate outlets for family business studies' (Chrisman et al., 2012:10), and are suggested to account for a major portion of family business research (Bird et al., 2002; Chrisman et al., 2008, 2012). These specialised journals as well as governance and entrepreneurship journals formed part of the literature review for this study; detailed searches were conducted using the following key words in various combinations: *SME, small and medium sized family business, family business boards, family business directors, non-executive directors, female directors, board dynamics, board roles, board tasks, group, governance.*

3.4.2 Primary research

A longitudinal analysis was conducted between 2011 and 2013 using semi-structured interviews to understand the dynamics of SMFB boards. Robson (2002:59) states that in-depth interviews can be very helpful to 'find out what is happening and to seek new insights', while Kumar (1996) suggests more depth can be achieved.

A topic guide was designed before the interviews containing open-ended questions (inspired by the literature review) and prompts (Saunders, Thornhill and Lewis, 2009). Open-ended questions give the interviewee the opportunity to introduce new information which the interviewer may not have been aware of; this is vital as each interviewee has their own perceptions and knowledge (Saunders, Thornhill and Lewis, 2009; Kervin 1992). In order to gain further insight, Howard and Sharp (1983:139) suggest the use of 'open ended discussions', and these were used, intermittently, throughout the interviews. On the other hand, the interview schedule was identical for all interviewees in terms of topics covered and time allowed – this was a safeguard against the natural subjectivity of the interview process. The interviews also contained some closed questions, which were used to verify facts or confirm understanding. Using Bootstrapping (Archer 1988; Wyer 1997) that was used the interviews became more refined and developed, as the research progressed.

It was initially intended to conduct interviews in person to allow the researcher to build up a rapport with the interviewees, and to observe their body language and use of realia. However, the directors' busy schedules meant that some interviews had to be conducted by phone or video skype. Interviews took place in offices, the directors' homes, public cafes or restaurants – depending on the directors' availability. Notes were taken and the interviews recorded, transcribed and then coded.(see section 3.8 for steps followed) Recording the interviews enabled the researcher to give the interviewee her full attention. Sarantakos (1994) suggests that the presence of recording equipment can reduce spontaneity and adversely affect the richness of the gathered material, but participants were aware of their right to have the recording device turned off or recorded material deleted if needed.

3.4.3 Adapting the semi-structured interview

For the purposes of this study, certain themes had to be covered and these were noted in the topic guide, using loosely semi-structured questions allowed the directors to choose which topics they wanted to focus on. They allowed the researcher to explore the life of the individual within their own environment (in this case, the SMFB context). This 'loose' form of interviewing invites participants to communicate their everyday experiences, enabling them to say, do and be what they want at that moment in time. This also allowed the researcher to adapt to individuals interviewees focus as well as adapt as the cases developed. This allows data richness to emerge, it can also cause repressed experiences to resurface. It should be noted that, in terms of epistemological and methodological approach, it shifts the locus of control from the researcher to the participant. Unexpected issues did arise, especially disclosures made during the goodbye handshake which were written up as notes after. The directors came from a variety of social, economic and educational backgrounds and while they were all able to articulate their experiences and thoughts, those from a higher socio-economic and/or educational group tended to be more fluent and reflective in their discussion and have an increased awareness. This is similar to the findings of previous qualitative studies (e.g. Eccles, 2004 or Collins et al., 2010). Every participant considered him/herself to be a director, not just on paper but in practice – possessed of strategic vision, directorial skills, the ability to implement these skills and full knowledge of the Companies House 2006 directorial requirements. Semi structured interviews were used in order to be able to cover all of the concepts needed while allowing scope for the researcher and the interview to develop. Using completely unstructured interviews might not have led to the depth of detail that was expected. Initial interviews were conducted face to face while follow up interviews were telephone interviews. Follow up interviews were used to clarify different concepts, identify nuances, capture change and board transformation.

3.5 The pilot study

Since the researcher usually has only one chance to gain access to an SME board and its directors, it was especially necessary to pilot the initial topic guide, questions and the process beforehand. Saunders, Thornhill and Lewis (2009) suggest piloting and subsequent revision increase validity and reliability. Accordingly, the semi-structured interviews were piloted with a number of family businesses; this allowed the gathering of preliminary results and the refining of the interview design.

All research conducted followed the University's ethical guidelines. A convenience sample of five consultants and individual directors were interviewed in person or by telephone. Participants, who were all over 18, were informed that these were pilot interviews to test the interview design and to identify any previously unidentified areas of interest.

Prior to the interview each interviewee was sent an electronic confirmation of the project, an outline of the types of questions that would be asked and a confidentiality statement (see Appendix Topic Guide). Another confirmation email was sent a day before the interview confirming time and location. On the day of the interview, the participants were again told about the topic and area of research, and they were offered the opportunity to withdraw. They were assured of confidentiality and anonymity, that the data would be coded and that no recording devices would be used. They were given the researcher's contact details and offered access to the results if required, and then given a brief outline of the proposed content of the interview Interviews were scheduled to last an hour at most, with the participant free to answer business calls and emails, or to pause or even abort the interview if needed (during events, most interviews took between 15 and 30minutes). The researcher took notes during the interview. After each interview, the researcher asked for feedback and noted comments, although this step became superfluous as the sampling process progressed.

3.5.1 Pilot data analysis

The aim of the pilot study was to improve the semi-structured interview by highlighting inconsistencies and areas of interest. Therefore, the interviews were analysed to identify: whether the covered topics answered the research question; which questions were superfluous and could be cut to save time; and how research questions could be refined so as to elicit better answers in less time. In this analysis, the pilot interview was treated as a research setting or field experiment; it provided a window to observe the directors in their daily setting, how they reacted to the questions and to time pressure. As the object of the pilot study was to understand the process, ascertain the usefulness of topics and questions, there was no data analysis on the answers but the researchers increased confidence was noted.

The findings of the pilot study suggested that rapport with directors would be increased if the researcher used language that was familiar to them. Further, short, direct statements and emails were preferred as directors are very busy. The interviews required board members to remember, or reconstruct, what they had done and how they had done it. This integrative approach has methodological consequences; as the researcher enters the interviewee's reality, the danger of bias (from researcher and participant) is increased. On the researcher's side, this could range from asking leading questions, to changing the situation by their presence; the participant, meanwhile, may be swayed by how they perceive their social role, themselves and the interview situation, or by what they know about boards, governance and directorship. Another methodological issue is what happens when two or more people are interviewed together (e.g. a husband and wife team, or sibling directors). Zipp, Prohaska and Bemiller (2004), whose research was based on the British household survey, concluded that joint interviewees influence each other's answers; they called this interaction the 'reactivity effect'. For this reason, directors were interviewed individually wherever possible.

3.6 Case study

Throughout the literature there are numerous definitions of case study. Eisenhardt (1989:534) defines case studies as a way of 'understanding the dynamics present within a single setting.' Similarly, Collis and Hussey state that 'case studies are used to explore a single phenomenon (the case) in a natural setting using a variety of methods to obtain in-depth knowledge' (2003:82). Yin suggests that 'a case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident' (2009:12), while Willis argues that case studies are 'about real people and real situations ... [they commonly] rely on inductive reasoning ... [and] illuminate the reader's understanding of the phenomenon under study' (2007:239).

Within these broad definitions, scholars have identified various types of case study. Willis (2007:240) suggests that within the interpretivist framework, 'researchers do not seek to find universals in their case studies. They seek, instead, a full, rich understanding (verstehen) of the context they are studying'. A case study can be viewed and analysed in isolation (within-case analysis) or compared to other cases (cross-case analysis) to provide insight into the research issues (Yin, 2003; Gomm et al., 2000). When dealing with multiple case studies, it is important to 'provide a detailed description of each case and themes within the case, called a within-case analysis, followed by a thematic analysis across the cases, called a cross-case analysis, as well as assertions or an interpretation of the meaning of the case' (Creswell, 2009). Creswell (1994:73) describes a single case as 'a bounded system' and multiple case studies as 'multiple bounded systems'. Stake (1995) distinguishes between intrinsic, instrumental and collective cases, suggesting that intrinsic cases are used to learn about a particular case, instrumental cases are undertaken to learn about something emerging from the data (e.g. interviewing two groups within one organization to ascertain their opinions on a third subject), while collective cases include different organizations with a view to creating multiple single cases.

3.6.1 Why case study?

The case study method was selected as the most appropriate way of inductively exploring new insights and the relationships between directors and boards (Currall et al., 1999; Eisenhardt, 1989). This method has been described as having two outstanding strengths (Meredith, 1998): firstly, the research phenomenon can be studied in its natural setting, allowing a more in-depth understanding of actual practice that will lead to more meaningful and relevant theory; and secondly, the researcher can acquire greater understanding of the nature and complexity of the complete phenomenon *as it is connected to its context or situation*. This emphasis on context made it very appropriate for SMFB research.

In the current study, case studies were chosen for closer analysis according to their potential to extend our knowledge in the field of family business boards, or if they were exceptional (Siggelkow, 2007). Taking the board as the unit of analysis, data was collected and analysed using the narrative enquiry method. According to Connelly and Clandinin (2006:477):

> 'Arguments for the development and use of narrative inquiry come out of a view of human experience in which humans, individual and socially, lead storied lives. People

shape their daily lives by stories of who they and others are and they interpret their past in terms of these stories. Story, in the current idiom, is a portal through which a person enters the world and by which their experience of the world is interpreted and made personally meaningful.'

Narrative inquiry has been used in the fields of community studies (Huber and Whelan, 2001), anthropology (Bateson, 1994), psychology, sociology, literature and cultural studies (Riessman, 1993; Mishler, 1996). It has been employed here in the hope that it will facilitate the emergence of new insights into boards, their processes and roles.

The case study method characteristically draws on a range of data sources (Yin, 2003), including secondary sources such as internal documentation and industry reports, and primary data from interviews (Dibb and Meadows, 2004). This method is also versatile in that researchers are encouraged to use a variety of data collection methods, depending on the situation and conditions. This is well suited to SMFB research, since these companies are known for their uniqueness. This use of different sources also means that data can be triangulated, allowing the phenomenon to be viewed from different perspectives and enhancing the reliability of the findings. The longitudinal nature of most case studies is also suited to the aims of this research, as it allows process – and evolving patterns – to be studied over time (see Leonard-Barton, 1990).

On the other hand, three main criticisms have been levelled at the case study method. It has been accused of lacking objectivity and rigour (Remenyi et al., 1998); it has featured in the general debate between quantitative and qualitative researchers as to the process and validity of qualitative research; and the generalizability of its findings has been questioned (Bryman and Bell, 2003).

Objectivity is crucial when administering a survey, but it is less likely to be at the forefront of the researcher's mind when they are trying to understand the in-depth context of a phenomenon. Even so, they need to be aware of their own bias. Stake's (1995) vision of case study research is that 'We enter the scene with a sincere interest in learning how [actors] function in ordinary pursuits and milieus and with a willingness to put aside many presumptions while we learn' (p.1). Since this study involved the researcher immersing herself in the cases in order to gain an in-depth understanding of the phenomenon in context, it may be characterized as essentially subjective. However, clear research objectives, a consistent and coherent research design, an appropriate research strategy and data collection methods, analysis that adheres to the accepted protocols, and a transparent discussion of the findings ensure rigour.

The explorative nature of the research SMFBs and their boards suggests that initially only a small number of cases are needed or until a saturation point has been reached. While it should be noted that in case study research the case itself does not constitute a sample of one (Bryman and Bell, 2003), the aim of case study research is not to generalize the findings of a sample to a population but to offer new perspectives, insights and possibly theoretical models in order to further research.

Yin (2009) suggests that case studies explain, describe, illustrate and enlighten, while Stake (1995) goes further, arguing that the real business of a case is particularization and understanding the case itself. This study follows Yin (2009), employing multiple case studies and cross-case analysis as well a context appropriate interpretation of the meaning of the case (Creswell, 1994) to develop a deeper understanding of boards. Further, using Bootstrapping throughout, means the researcher is aware that the research may evolve, which means that the research objectives may need to be revised and reframed, while checking that the research topic is still focused.

3.7 Selection of case studies

It was important that the companies in the sample were all subject to the same regulations and laws, since these impact on business and board strategies (Greenwood et al, 2010); for this reason, the sample was geographically limited to the UK. For convenience, the chosen businesses were located predominantly in the Bristol and Southampton area with some in the London area and the rest across the UK. The other criteria for selection were that the company should be an SME (according to EU guidelines), that it should be a family business (by perception, if not by ownership/management), and that the board should have two or more directors (to enable examination of the board-as-team dynamic – see Cangelosi and Dill (1965) and Forbes and Milliken (1999). Limited, unlisted companies were chosen to build on Coulson-Thomas (2007) research. He identified that hardly any of the companies had a working board in the sense of a group that met, therefore selecting only private limited companies was thought to provide a relevant sample Further, initially FAME database was used to identify family businesses as incorporated companies (limited) by law must have at least one director (see section 2.4.3) and companies could be classified according to size. Companies House has responsibility for incorporating and dissolving limited companies, examining and storing company information delivered under the Companies Act and related legislation, and making that information available to the public (Companies House n.d.). Finally, these directors had to be available for face-to-face or telephone interviews between January 2011 and May 2013. All initial interviews were conducted face-to-face, with subsequent interviews partially via phone to confirm information and add to previous knowledge. While the initial interviews covered indepth themes including the participants past employment, while the second interviews focused on the state and changes of the board, relationships and events. Therefore, due to the nature of the follow up interview and Director's availability and time constraints, telephone interviews were used.

Various tactics were employed to identify suitable boards for the sample. These included using FAME, attending various events and conferences and snowball sampling. The FAME search for companies in Hampshire yielded a number of possible participants, but these were approached with little result (see below), therefore the search had to be widened. Similarly, general networking events proved fruitless as these proved to be mainly sole traders or micro-businesses. Finally, the researcher was able to use her contacts from IOD, IFB, ICFIB, FB Place, Coutts and elsewhere to gain access to events aimed specifically at boards and family businesses.

The snowball sampling approach offers significant advantages (Biernacki and Waldorf, 1981; Saunders, Lewis and Thornhill, 2007) and has been used in various family business studies (including Fiegener et al. 1996; Lazerson, 1995; Venter, Boshoff and Maas, 2005). Pettigrew and McNulty (1995) recognize that access to managerial elites can be facilitated by connections made through high-status members of such elites, as was the case here. Lee (1993) points out that the risk of bias is high, because it is likely that participants will tend to know about and identify firms similar to their own, leading to the emergence of a homogeneous sample. However, steps were taken to minimize this risk, including the varying approaches in gaining access to boards and purposeful sampling.

Many of the directors who were approached and asked to participate gave a brief insight into their board in conversations which lasted between 5 minutes and 2 hours depending on the context (ie. During Networking Events time was restricted). These conversations influenced the subsequent interviews in the sense that the researcher learned to be more adaptable; for example, employing managerial rather than academic language. They helped the researcher gain confidence and improve her rapport-building skills. It also became apparent that each director has their own stories and that if the right questions are asked, the director will feel understood and want to talk more. Many directors commented on the loneliness of their position and were happy to talk freely 'off the record'. As the researcher was involved in a technology start up in 2009 along with five other directors (she resigned from the board in 2011), these contacts and networks were used. One director was the MD of Rhubarb Buses, this meant the researcher had spent working and private time with the MD.

Table 3.1 is a summary of the rationale for choosing each case company. The sample exemplifies the diversity of SMFBs governance and boards. The sample shows the complexity and identifies new issues within SMFBs.

Table 3.1 Rationale underlying choice of case companies ranging from G1-G3

Case	Name	Reason for selection
1	Rhubarb Buses	A board run according to FTSE100 ideas with the business ties holding the family together.
2	Motor-homes	A companies house 'board' which in reality is the MD deciding what he wants to do with his father's guidance.
3	Mountain Dew	A newly formed board where each member is finding their role and the founder's family do not want to be involved.
4	Paperclip	In a company of this size, a board might be useful. However, strong family ties mean they have been successful until now, so why change?
5	Sunshine Consulting	A successful board, but disbanded during research. Non-family members no longer have a traditional board; instead, they want to get strategic input from key employees as required.
6	Smith Furniture	A board dominated by the third generation girls, their husbands and father –a stereotypical family business with nepotism, employee age bubble and succession planning.
7	Logistics	A functioning board dominated by a husband and wife team. Basic structures but other directors lack the skills, knowledge and ability for it to be a strategic board.
8	Electrical	A g2 board in the process of being developed and strengthened with education and skills.

3.7.1 FAME and companies house search process

Various searches were conducted using FAME, with five FAME criteria being used to identify potential candidates for the sample. These were: the company had to be active, it had to have between 20 and 250 employees, it had to be a private company, trading in the South of England, and the shareholders had to have the same name (to identify family businesses). The process was then repeated, this time replacing the employee criterion with one for turnover (between 2 and 50 million pounds). Searches were conducted methodologically, identifying locations in the South of England with individual searches which were combined into an Excel spread sheet to facilitate cross referencing.

The searches of the Companies House database yielded over 8000 companies. One company was chosen at random from each page in an attempt to get a random sample. This resulted in 180 phone calls and 50 personal visits being made to businesses between February 2012 and September 2012. From the 180 phone calls, 89 companies declined to speak to the researcher or to allow her to speak to a Director, 30 companies were manager-owner businesses or managed with a company secretary and did not fit the criteria in terms of size or employee numbers, 10 companies said they were not a family business and that the shareholdings were incorrect or out-of-date, and 47 companies said they were family businesses but that they had no formal board and would not like to be interviewed. Remarkably, a number of husbands said they made the decisions and that their wives were 'only the company secretary and only signed papers'. These owners felt it would not be helpful for me to speak to them. Four companies said that they had a formal board which met 'somewhat regularly' but that they were not interested in being interviewed or helping the research due to time constraints (although they were encouraged that the research was happening). A further company, resulted from a snowball effect from a phone call. The company had annual board meetings which was attended by their accountant which was recommended by one of the other participants at the end of a phone call. This company agreed to be part of the research, but after the initial contact, repeated attempts to contact the director failed, and there was no interview occurred. Similar results were obtained from the 50 companies that were visited in person, in Southampton, Woking, Portsmouth and surrounding areas; in most cases, the relevant people were not on site, or declined to be interviewed. Three companies expressed an interest and one company agreed to participate in the research, but despite repeated calls and emails, no interview ever took place.

3.7.2 Contacts through events

Initially, the researcher approached various organizations including the IOD and the IFB in the UK, but none were interested in supporting research into FB or SME boards. This is thought-provoking, since these organizations have repeatedly called for more information in this area yet were disinterested in supporting an individual researcher. However, the researcher might suggest that it is an 'old boys network', as while working on various research initiatives for a well-known Bank, other these organisations were supportive and access to boards easily gained.

Participants were sought at a range of networking events, with varying degrees of success (see Table 3.2). Conversations at these events were not taped so as not to intimidate the directors and to allow them to speak (more) openly about boardroom processes and the role of individual directors. Notes were made after the conversations, which during the events, lasted between 5 and 45 minutes. Subsequent requests for formal interviews were mainly rejected.

Family Business Ties is a daylong annual event held in London. It is attended by 300-400 representatives from family businesses from a range of generations and sectors as well as service providers such as consultants and banks. From the researcher's point of view, it was an opportunity to network and gain in-depth knowledge of family businesses across a range of sectors. Board2020 is an annual conference, held in Bristol, aimed at 'future proofing' boards. This event is exclusively for directors from companies of all sizes and sectors, including family businesses. Board2020 promotes itself as an interactive learning forum for business leaders, offering a range of facilitated group discussion platforms such as the 'World Café' and 'Open Space'. Attendance at the event gave the researcher the opportunity to mingle with a large number of directors. Finally, as an employee of Coutts Bank, the researcher was able to attend Coutts Private Member Events held exclusively for family business directors, and to gain direct access to some SMFB directors. Other local networking events and business shows (for example Rose Bowl 2012, Excel 2012) were also attended, but these were predominantly geared towards micro enterprises or entrepreneurs and their focus appeared to be on selling rather than helping a researcher. Table 3.1 summarizes the success rate of the various attempts to secure research participants.

Table 3.2 Origins of the final sample

	Potential Participants	Number of Directors spoken to / called	Initial agreement	1st interview accepted and took place	Follow up interview took place
FAME Telephone	Approximately 8000	180 (of those 47 Directors)	1	1	1
FAME In person (minus 180 telephone contacted)	Approximately 8000	50 (of those 9 Directors)	3	0	0
Events					
Family Ties 2011	437	5	4	2	1
Family Ties 2012	520	6	4	2	2
Coutts FB Forum 2011	29	2	1	1	1
Coutts FB Forum 2012	31	5	0	0	0
Board2020 2011	78	40	4	1	1
Board2020 2012	75	40	2	0	0
Board Seminars Lionel (4 seminars attended @ 6ppl each)	24	24	5	1	1
Other Network events	Approximately 200	Approximately 40	12	0	0
Total	Approximately 9370	218	35	8	7

Altogether, more than 200 directors were contacted in exchanges ranging from brief telephone conversations to lengthier discussions. Many expressed interest in the research and were happy to offer opinions, but very few wanted to be interviewed. Around 30 of these conversations were written up as potential case studies but never used (see Appendix O). Nevertheless, they are included in the study on the grounds that they influenced the researcher and form part of the research process. It should also be noted here that some of the directors who initially agreed to participate were subsequently excluded because they did not meet the selection criteria. Others withdrew from the research because they were reluctant to reveal personal information such as gender, age and tenure, or because they felt the process would be too intrusive or that it might reflect badly on their company or their own Director role. A number of directors withdrew their support when they realised the whole board would be analysed. While happy to give their opinion or to be interviewed individually, they were concerned that something bad or damaging might emerge elsewhere within their board. Unfortunately, it is outside the scope of this research to investigate this sense of insecurity among directors, which was strong enough to overshadow their desire to help the researcher. Gaining access to Boards and Directors proved very difficult despite the various approaches. In the end, eight initial interviews took place with Directors and three with board consultants. Four of these led to follow up interviews with the rest of the Board, making it possible to compile a complete case study on the Board. In the other four companies, follow up interviews took place with some members of the Board but the Board as a final case study remained incomplete. However, using Boards and consultants resulted in embedded units of analysis using the SMFB context as a case study in itself.

When gathering in-depth primary data Building rapport can be important as participants have to open up about their business, family and feelings (Saunders, Lewis and Thornhill, 2007). Previous researchers have found (e.g. Pettigrew 2005 and Huse 2005), gaining access to boards and directors who were willing to be interviewed proved difficult throughout this study. Although a number of directors initially agreed to participate in the research, this rarely resulted in interviews. Various organizations were approached including family business organizations and director organizations. Potential contacts were also identified through LinkedIn, Companies House and networking events.

3.8 Procedure: Participants and analysis

Participants were sent an email with a short paragraph covering the aim of the research and a statement of confidentiality which had to be signed. Every company was offered the results if they wanted them, but not a single company took up this offer. All correspondence was conducted in English using simple language to make it more transparent for the academic purpose of this research and to avoid frightening off participants. Participants were asked to reply by a certain set date by phone or email, but nearly every participant received an average of three phone calls and three email reminders over the two month period. Many interviews were rescheduled; the researcher tried to maintain contact with potential participants by sending them relevant literature to remind them of their promise. Once a date was set, interviews were conducted either in person or via telephone/skype. The interviews were recorded and then transcribed using different names for anonymity. Interviewees then received an email thanking them for their participation, reminding them that they could still withdraw from the study and asking if they would like the transcript. Some directors wanted the transcript for their personal use, others corrected comments or wanted sections removed. Most interviews were conducted with one Director present, some of the previous interviews were conducted with two interviewees together (the husband and wife in Case 1, Brothers Case 3). All interviewees said they felt exhausted after the interview and most asked whether they had given the 'right' answer and wondered whether their answers were what the researcher had been expecting. Many left with comments like: 'I hope you can do something with that/I hope I was of some use to you'.

The researcher used manual coding. Following Nvivo training initially data analysis was started using the software package however, the researcher found herself restricted in the analytical process. She was unable to maintain the overview she needed to complete the analytical process and needed physical space in order to analyse the data and its emerging themes. Blismas and Dainty (2003) have called for an open debate of computer package aid the analytical process, suggesting so-called computer-aided approaches have the potential to affect detrimentally the outcomes of construction management research due to the limited and controlled options which may affect rigour and transparency.

The data was analysed in two stages: firstly, Chapter 4 the Director's narratives in chronological order; secondly, Chapter 5 using guiding concepts (Figure 2.2) from the literature review and emergent themes across the different cases. Chapter 4, the narratives develops an understanding of people's everyday experience of reality, in great detail, so as to gain an understanding of the phenomenon in question (McLeod, 2001). In this research, narrative analysis helped preserve the 'whole story' of each board and its members (ibid). Chapter 5 looked across boards and cases.

Bassett (2003) suggests that data analysis is the most difficult and crucial aspect of qualitative research and concludes that the size of project, funds and time availability as well as the expertise of the researcher will influence the methods chosen. In this case a manual method was chosen for ease of use. The researcher followed Braun and Clarke (2006) using first, second and third order coding which was identifying and analysing and reporting patterns (themes) this was a six stage process: 1) familiarise yourself with data, search for patterns 2) generate initial ideas using guiding concepts, these were then developed 3) search for themes 4) review themes and 5) define and name themes and 6) write up. Tesch (1990) used the term 'data condensation' and 'data distillation' for the actual outcome of the qualitative analysis.

This means the research followed both Miles and Huberman (1994) as the inductive researcher let the data and themes emerge and secondly, for the cross case analysis, used the conceptual frame work in order to highlight research questions and key areas. Therefore, themes were drawn from existing theoretical ideas that the researcher brings to the data (deductive coding) or from the raw information itself (inductive coding). While software packages such as NVivo were initially used and training was taken the researcher preferred manual data as it was more visual with the quantity of data to be able to spread these out. Semi structured interviews aided the research cover key points and supported data analysis at a later stage. (See Appendix N for detailed notes on data and structure of the themes)

According to Riessman (2008), thematic analysis is the most widely used analytic strategy. In this case, it focused on the content of the director's narratives – their accounts of their board experience and their relationships with other directors inside and outside the boardroom. While most Directors declined to read over their transcripts, some looked at the identified themes and at their own answers as well as those from other boards. Each director was able to see their own answers and those from different boards to preserve anonymity. Following each interview the researcher took notes on her impressions and thoughts about themes and ideas that emerged. Participant validation was sought using the data, reflections as well as the guiding concept (see 2.7 Guiding Concepts). This participant validation, named member checking by Lincoln and Guba (1985), is seen as 'the most crucial technique for establishing credibility (p.314). Creswell and Miller (2000) suggest that another procedure for establishing credibility in a study is to describe the setting, the participants, and the themes of a qualitative study in rich detail. According to Denzin (1989), "thick descriptions are deep, dense, detailed accounts. . . . Thin descriptions, by contrast, lack detail, and simply report facts" (p.83). This is demonstrated in Chapter 4, using the Director's narratives. Some qualitative researcher suggests that it in qualitative analysis it is sufficient if another person agrees with between 10-20% on matched themes. Directors agreed with the majority of themes, but identified discrepancies were discussed, and either eliminated or present differently. Emergent themes were also discussed with consultants, which throughout the research aided as sounding boards to explore ideas and develop concepts. Throughout the process, themes and ideas were refined (eg. Archer's Bootstrapping). Different lenses such as group dynamics and gender were used to look at the data, which meant the research has evolved over time. This research focuses on the themes identified in the literature review to ask semi-structured questions which then evolved as the research and the research did (eg. Archer and Seidel, 1998). However, key concepts such as governance, family business and SME were clearly defined (see the discussion in Chapter 2) in order to render comparison of this study's findings to previous research.

3.9 Ethical considerations

The research was conducted in accordance with the ethical guidelines of Kingston University and was approved by the Kingston Ethics Committee in April 2012. All interviewees were adults and participated in the research with the permission of their company and/or family. Director anonymity will be preserved and all data will remain confidential, though boards will be given access to the section of analysis relating to them if all the board members agree. All participants signed a permission form outlining the research and its aims and setting out their right to refuse to answer questions or withdraw at any time. Below is a breakdown of interviews. Each director was interviewed between one and three times. These interviews lasted between 30 minutes and three hours.

Table 3.3 Breakdown of interviews

Nr of Interviews	1			2		3		4		5
Case 1	1 MD	2 MD	3 MD	1 FD	2 FD	1 Chairman	2 Chairman	1 NED	2 NED	1 Joint interview FD/Chairman
Time (hrs)	1.5	3	1	2.5	1	1.5	1.5	2	1	.5
Used	6	3	1	19	2	17	5	4	2	1
Case 2	1 MD	2 MD	3 Dir							
Time (hrs)	1.5	1	1							
Used	8	4	2							
Case 3	1 MD	2 MD	3 MD	1 Ops	2 Ops	1 Founder	2 Founder			
Time (hrs)	2	3	1	1.5	1.5	1.5	30min			
Used	15	2	1	1	1	10	4			
Case 4	1 Joint interview Rhasheed and Kamil				2 Joint Interview Rhasheed and Kamil					
Time (hrs)	2hrs				1					
Used	Rhash-4 Kamil 3				Rhash-1 Kamil 1					
Case 5	1 MD	2 MD		1 FD						
Time (hrs)	1.5	1		1						
Used	6	0		3						
Case 6	1 Dir	2 Dir								
Time (hrs)	1.5	1								
Used	12	2								
Case 7	1 HR D	2 HR D	3 Chair man	1 Joint Interview						
Time (hrs)	1.5	1	0.5	0.5						
Used	8	1	3	1						
Case 8	1 MD	2 MD								
Time (hrs)	1.5	15min								
Used	19									

Note: Used refers to the number of times the interview evidence is used in the analysis in Chapter 4.

3.10 Conclusion

This chapter has identified the ontological assumptions underlying the research and justifies the choice of qualitative semi-structured interviews as the main data collection method. Using the Board as the unit of analysis helped demonstrate, by use of a case study as a methodology, to explain how SMFB boards work, their dynamics and roles. Gaining access to boards was very difficult, with the personal approach proving more successful than cold-calling. From an initial potential pool of over 9000 directors, ultimately only eight directors allowed themselves to be interviewed, and only four of these allowed the researcher to go on and interview the full board. However, shorter, off-the-record interviews which took place during the selection process were also influential. The in-depth interviews used open questions; the responses were recorded, transcribed and revisited so that questions and themes were continuously improved. The use of the case study method, and the scale of the study, mean that the results cannot be generalized, although they may serve to enhance current theoretical understanding; as Bryman and Bell (2003:102) suggest, a 'well-prepared small-scale' study 'may inform, illuminate and provide a basis for policy decisions'. The following chapter, Chapter 4 is the in-depth data collection, followed by Chapter 5 which is concerned with the thematic analysis of the data using the narrative approach to identify the spectrum of SMFB boards and thematic analysis approach to ascertain interrelations between individuals, family, and organizational systems.

4 Chapter 4 – Case study narratives

4.1 Introduction

This chapter presents the data collected from the semi-structured interviews of different small and medium sized family businesses (SMFBs) and consultants. As detailed in the Methodology chapter, over 200 companies were approached initially through events, conferences, seminars, networks, organizations and using FAME, but finding directors who met the criteria for the study, had the time to participate and who were willing to officially share board secrets was challenging. In the end, eight case companies were selected, representing different types of family business board and a variety of director roles. The chosen businesses are all small to medium sized (between 20 and 140 employees) and based in the south of England. Board sizes range from three to seven directors and turnover ranges from 750K to 15 million, with most being under 10 million. They operate in a variety of sectors. In addition to the analysis at board level, the analysis also considers the experiences of three individual consultants. Table 4.1 presents an overview of the case companies and individuals that feature in the analysis.

The next section uses the Directors own voice to narrate the story of themselves, the board and the company. Interviews were conducted with male and female founders, directors and non-executives with a view to uncovering how these individuals run their boards and what roles they assume. The last section uses family businesses consultants to give differing perspectives on family business boards. The aim of the analysis is to understand how family businesses run their boards in practice and to gain an insight into the experiences of directors, as revealed in their own words. All participants' names have been changed to maintain confidentiality.

4.2 Comparative overview of SMFB case's

Table 4.1 Comparative overview of SMFB case's

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9	Case 10	Case 11
Company	Rhubarb Buses	Motorhomes	Mountain Dew	Paperclip	Sunshine Consulting	Smith Furniture	Logistics	Electrical	Lionel	Bruce	Jackie
Sector	Services	Leisure	Waste disposal	Retail	Services	Retail	Services	Services	Consulting /Chairman	Consulting/ MD	Consultin g
Turnover	1.2 to 1.4m	7 1/2m	4 million	15 million	X	11+3 million	20million Sold/dissolved	750K	2 examples	1 example	
Employees	20	20	54	140	29	100	60	24	0		
Generation	g1 and g2	g1 and g2	g1	g2	g1	g3	g1	g3	g1		
Nr of interviews	4/4	2/3 –	3/3	2/5	1/2	1/6	2/5	1	1/5	1/1	1/1
Nr of directors	4	3	3	5	2	6	6	3	1-5		
Awareness of directorship	Very High	Low	High	Medium	Low	Low	Medium	Medium	Very High	Very High	Very High
Reason for board type	FTSE100 background	Previous background	IOD Course education	Previous background	Previous background	Unchanged format	Industry background	Industry background	FTSE100 background	Industry background	Industry backgrou nd
Description of board	The board	Dinner table discussions (if at all) The annual accountants meeting where father approves	Board meeting within founders' limits	The annual accountant meeting	The Sunday half time meeting	The 'finance one'	The board	The official meeting	-	-	-
Family/non-family ratio	4/1 (+1 step-mother)	3/0	2/1	4/1	2/0	4/2	2/3	3	-	-	-
Gender ratio male/female	3/1	3/0	3/0	5/0	1/1	3/3	1/4	2/1	-	-	-
Director ratio NEDs/execs	1/3	0/3	0/3	0/5	0/2	0/6	0/5	0/3	-	-	-
Other FB members in business	Only on board	Both brothers	Daughter came in and left after 2-3 years, wife Company Secretary	All brothers, both wives and several cousins	Husband and wife team (no children)	All daughters and husbands	Husband and wife team (no children)	Brother, sister and son	-	Yes	-
See as FB?	No – yes when it suits	Yes	Yes	Yes	No	Yes	No	Yes	-	-	-
Start up costs	Father, step-mother, NED, sister, loan notes and own money	Father	Founder and partner – organic growth	Father's friend (like 2nd father)	Mother 5000 pounds	Grandfather started it with nothing	NM	NM	-	-	-

	100s of thousands										
Shareholders	51% MD 29% father & stepmother 13% NED 5.5% employee 1 ½% sister	50% MD	100% founder	50% family 50% other family	75% wife 25% husband	Father holds majority –rest unknown	All directors	NM	-	-	-
Dividends paid	No	No	No	No	No	No	NM	NM	-	-	-
Board meetings	Yes 9 to 10 per year	No	Yes quarterly	Yes/No 3-4 times a year	No (previously yes and wanting to start again)	Yes quarterly	Yes monthly	Yes quarterly	-	-	-
Nr/ length						quarterly			Case dependent	-	-
Other 'formal' meetings	No	No	Yes weekly	No	Yes weekly	Yes weekly	Monthly	MGT	-	-	-
How are decisions made?	Peter decides, others are included and board discusses but can be overruled by MD	MD decides, at beginning asked father's advice	MD decides alone and on larger decisions consults father	2 brothers decide ask advice if needed	Via telephone, weekend 'board' and use ops meeting	Strongly father g2 led, despite board of predominantly family members	Board meetings	NM	-	-	-
Stage	Start-up strong growth	Stay the same, sometimes considers growth	Maintain level with slight growth	Maintain level, slight growth, diversify into	Re-growth after having shrunk company	Have a 5 year plan to create wealth for all	Consolidating for sale	Consolidating for next generation to take over	established	established	established
Pass on business	No - sell	Keep – but next gen too young	Daughter out – possibly MBO or sale	Think sell and have property for family	No plan yet	Keep shares in bloodline – but next gen too young	Sold	Pass on to g3 in business	-	-	-
Reason for involvement	MD – Job/dream Investors – support/Investment	Brothers for jobs Father support	MD/Ops Dir Job Owner needed	Save father's business, support each other - job	For jobs/income	Expected and wanted to get involved in FB	For jobs	For jobs	-	-	-
Aim of business	To sell in 5-7 yrs	To create family wealth	Give owner lifestyle choice	To create family wealth	To have a job	Share heritage and employ family	NM	To create family legacy	-	-	-

4.3 Case 1: Rhubarb Buses

Case 1 is a start-up bus company, started in 2007 by the MD. Set up costs were completely covered by the family members and one non-executive. This case was chosen for two reasons: the son (g2) started the business with his parents' help and the company is run in accordance with FTSE100 practices (drawing upon the directors' previous experience). Rhubarb has four directors, a turnover of 1.2 to 1.4 million and around 20 staff. There are six shareholders including the directors, other family members and an employee. However, the share distribution has been designed so that the MD is the major shareholder, as he is the bus expert. At the beginning, the Finance Director worked unpaid. The Board consists of three family members (father, son and stepmother) and one non-family member; all have extensive FTSE100 experience. They all consider themselves non-executive s with dividends paid and money re-invested. The MD is the only one who takes a salary and they have regular, well-managed board meetings with agendas, minutes and responsibilities. After a hard few initial years they are starting to do well and the aim is to build and sell the company. While the first round of interviews showed clear tensions between board members, these were discussed in an unemotional, factual way. However, by the second and third interviews, these had worsened to the point that there was talk of dissolving the board.

Table 4.2 Case 1 Company Profile

Turnover/staff	1.2 to 1.4m 20 staff
Nr of directors	4
Type of meeting	Board
Length of meetings	3 to 4 hours
Nr of meetings per year/month	9 to 10 a year/quarterly/every 6 weeks
	Start-up business since 2007, not considered a family business, just the case that it was family members that put the money in
Description of the board	4 members son (MD), father (Chairman), stepmother (FD) and non-executive /non-family member.
Shareholders	51% MD, 7½% employee, non-FM 11%, sister 1½% and 29% which is evenly split between father (Chairman) and step-mother (FD).
How well do they get on?	Clearly defined formal roles which are acted out i.e. non-executive is included although arguably is adding value Very business orientated as opposed to family – 'We would not speak if it was not for the business' (son, father, stepmother) MD provides very comprehensive reports and well-structured agendas and meetings go very well, but apart from MD they all have high level professional management background

Table 4.3 Case 1 Directors Profiles

Coded name	**Peter**	**Toby**	**Rachel**	**Daniel**
Role	MD/son	Chairman/father	FD/stepmother	NED /non-fam
Age	39	60s	60s	60s
Gender	Male	Male	Female	Male
Exec or non-executive	Exec	Non-executive	Non-executive	Non-executive
Shareholder	Yes	Yes	Yes	Yes
Family member	Yes	Yes	Yes – by marriage	No
Personality impression	Inward, very driven, opportunistic, wants to prove himself, not family orientated	Very in control, organized, demanding, high expectations, wants success, doesn't seek harmony	Very organized, thorough, desires family harmony and togetherness, avoids conflict	Likes to feel involved, follows family lead.
Other directorships	Mobile Onboard	Family global transport company Family property development company Private health company Non-executive of transport company	Family property business	NM
Education	Transport degree	Chemistry degree	Physics degree Qualified accountant Master's Psychotherapy counselling Adv. diploma Existential psychotherapy	PhD
Previous work	Worked his way up to controller over 15 years in the largest bus companies in the UK before starting his own business.	Personnel Manager, MD and European Chief in various private and public companies (FTSE100 companies) 2005/6 retired and took three non-executive directorships. Runs the family property business and Chairman of an investment club.	Financial accountant, Finance Director as a non-Board role before. Group Finance Director and then changing career.	PhD in Economics Director in various FTSE 100 Companies

4.3.1 Company background

Rhubarb was started in 2007 as a way of accommodating the son's passion for the bus industry and passing the family wealth in form of inheritance from father to son. The company currently owns 18 buses and has a turnover of 1.4 million. It operates several commercial routes and has contracts with local authorities, schools and colleges. The original exit plan was to sell after five to fifteen years (different board members gave different figures). The FD commented that this may be unrealistic but she chooses not to *'rock the boat'* (FD, 1). The level of involvement among directors varies significantly; while the MD spoke of buying second-hand buses in muddy fields and the FD has a hands on approach, the non-executive and Chairman are more distant.

None of the board members had ever been involved in a start-up and they agreed Peter was the driving force behind the company and the expert in the sector. They acknowledged this might be the central reason for differences in expectations.

> *We got involved because around 2007, Peter came to us one day...So we talked it through* [Peter starting a business], *and being business people we said 'Well you produce a business plan and, obviously if it stacks up, we will take it seriously'. So he produced a business plan* (Chairman, 1).

While the father wanted to support his son in a tax efficient way and relished the idea of a new challenge which seemed to make financial sense, the stepmother got involved as their *'communal money'* (FD, 1) was being spent and she felt a loyalty and support not only to her husband but also to her son. The non-executive , when approached for his expertise, saw it as a good investment; having previously worked with the FD and Chairman, he trusted them both.

Rachel (the FD) was very clear from the beginning about her intended level of involvement:

> *I said I was not going to be the Finance Director. I did not want any day to day involvement, but I was happy to input as a finance person on the board, so that was the basis on which I became involved....Principally, we wanted to support him, but use our expertise to be a counterbalance to his enthusiasm'* (FD, 2).

However, she was obliged to change her plans when the company got into difficulties:

> *I am a shareholder and because it is our money I ended up getting involved. We had invested a lot of money in the company already, it made a huge loss in its first year, the accountants were rubbish and we couldn't afford to pay for somebody to do the job* (FD, 1).

Despite her strong reluctance to be in the office daily, as this involved a lengthy commute, she did this for nearly three years. This had the positive effect that the *'...business was run financially successfully and set up systems'* (FD, 1). While the MD noted that this enabled the FD to see *'...the daily slog of running a bus company'* (MD, 1), the Chairman observed that *'She gained a deeper understanding of the finances in an industry she knew little about'* (Chairman, 1). From the non-family director came the observation that: *'She looked after the MD and kept the peace between the* *father and son, and herself and her husband by being supportive'* (non-executive , 1).

After 18 months, the business was struggling, despite the MD and the FD working nearly full time. Following a *'sensible conversation at a board meeting'*, they got as far as agreeing a time plan for closure. Each of the directors talked about surviving this low point at eighteen months and another recent, very difficult period, though they responded in different ways. While the Chairman and FD were confident, asserting *'We are secure, so whatever else happens they are not going out of business any time soon'* (Chairman, 2), and *'We have got enough cash in the bank, and would have to go through an awful lot of bad time over quite a long period of time to close down'* (FD, 1), the MD's reaction was one of personal relief: *'I don't have to worry about whether we can pay the wage bill on a Friday'* (MD, 2).

While the MD acknowledged that the business is driven by the team as a whole, he would have preferred to be able to do the whole thing *'myself with one colleague and run the thing as a two man band'* (MD, 1+2). In his view, the people who put the money in just happen to be family members; they are only directors so they can keep an eye on their investment. The company was set up with the MD as the majority shareholder (he owns 51% of the shares). According to the FD, *'He has never tried to abuse that, he always discusses things with us, and we work on board decisions rather than him saying, "Well, I am the major shareholder and I have decided that we are going to do this"'* (FD, 1). It is of significance to note that while the MD laid great importance on *'Jim, with whom I set up the company'* (MD, 1+2), no other board member mentioned this person.

All of the board members confessed that, if the same opportunity arose again, they might think twice about taking it. They all felt that they had been naïve; even though they had worked in corporate backgrounds, the reality of what it was like to start up a business hit them hard. The MD particularly *'felt the pinch'* (MD, 1) as he had to face the daily problems of the bus industry as well as his own financial situation. He found it very different from his previous experience and *'That was even after 15 years of working in the industry'* (MD, 1).

4.3.2 Main actors and roles

Finance Director (Rachel/ Step-mother)

The FD did a degree in physics and then trained as an accountant at Price Waterhouse. Despite struggling with the corporate culture, she quickly worked her way up to senior level. She moved into the Express group of companies, where her talent was soon noticed: *'They quickly moved me between roles, as I mastered them quickly, and so I was doing well there. Upfront, my interpersonal skills left a lot to be desired which was cured by the psychotherapy later on'* (FD, 1). She was accustomed to being the only woman on the board though, she noted that working with family is more difficult than *'just being the only woman – the dynamics are so different'* (FD, 1).

At Express Dairy she met her future husband: *'I met Toby on the Board there. I was one down from the board, the Finance Director was leaving, and Toby appointed me to the board'* (FD, 1). She left the company, which allowed them to start a personal relationship, and became Group Finance Director of Burger King in Europe. She finally became disenchanted with the financial sector and left it in 1993 to retrain as a psychotherapist.

She noted the difference between herself and her husband in terms of how they handle stress and pressure, which has been an issue for her throughout her career.

> *Toby can deal with the stress, without even considering that he is stressed and it is not painful to him, but being stressed out was extremely painful to me. We only very recently worked out why that was, and that is because Toby has been senior management, managing businesses since the age of 33, and so therefore he has only done the thinking; the actions have been that somebody else has to do it. He has got involved but he has got involved at a very senior level, he hasn't actually had to go and do it and all of my life I have been doing the doing; that becomes more relevant later on* (FD, 1).

Rachel holds no other directorships and has no ambitions to do so.

<u>Chairman (Toby)</u>

As with the other directors, this was the Chairman's first time starting up his own business, but he expressed a much stronger emotional attachment than the others:

> *It is the first time that I have been involved in my own business, if I can call it that, but my background was mainly in very large companies, and towards the end of my working career, when I went into a non-executive portfolio, I worked with companies of different sizes and one of the companies was a start-up company, which was a spin out from one of the large groups where I was the European Chief Executive* (Chairman, 1).

According to Toby, his degree in chemistry

> *... gave me a passport into management training and I also spent three years working in HR, which was a very useful time as I got heavily involved in all sorts of training and industrial relations and a lot of behaviour analysis and all sorts of different things* (Chairman, 1).

He became the Personnel Manager, then MD. After 11 years with one company realized he needed a change and moved to a retail Group, where he worked in distribution and spent four years producing a strategy for the company's future development before being headhunted as the MD for a large company.

> *... four years later I became the UK Chief Executive, and then at 55, I wanted to have a break, and within six months I was doing something like six or seven non-executive jobs and that meant that I was almost working full time, but on a totally different basis* (Chairman, 1).

Though working from home, he decided to retire to the countryside in 2005/2006. The Chairman felt that his outlook has changed now that he has age and capital behind him: *'I always worked in large companies, yes I was risk averse, and I am much less so now'* (Chairman, 1). He still holds other directorships including a non-executive position in another family business; this gives him a different perspective on family-run and owned businesses: *'I am a non-executive and the only director who is not a member of the family'* (Chairman, 2).

There was a consensus among the interviewees that each director has a clearly defined role and individual strengths. It was recognized that these roles have sometimes been fulfilled at personal cost. As Toby explained:

> *As far as possible we have our roles and we operate within our roles. Rachel, for the first three years, was acting as Finance Director, which is the last thing on earth that she wanted to do, but she is good at it and we needed it. The first accountants we used were awful, they got us into a right mess in the first year and Rachel single handedly bailed us out... She was a Director of the company, we were heavily involved in it financially, and she knew that for the sake of the company, for its survival, she had to do it* [emphasis added] (Chairman, 1).

Managing Director (Peter)

Peter, the Managing Director, gained a transport degree at university and then got a job with with a local bus company. He subsequently progressed to working for one of the big four bus companies, following this he became MD at a further top four company. Prior to starting his own venture he became Operations Director at a further top four bus company.

Despite having worked his way up through each of the big four bus companies, the MD found the start-up *'a massive learning curve'*. Along the way, he learned two key lessons: *'Work out how much money you need and double it!'* and *'Everyone always lets you down, even the people that you need and depend on, everyone lets you down at some point. It is a very, very lonely path to take'* (MD, 1).

Peter also holds a non-executive position in a technology start-up.

Non-Executive Director (Daniel)

Daniel, after completing his University to PhD level, started working for various public companies specialising in HR and economics. He rose quickly through the ranks using Networking as a key strategy. He has known Toby and Rachel since they were together on a previous board for many years. He entered the business as an investment, out of mutual trust and respect for Toby and Rachel and considers them friends and the start up an adventure. His wife never worked, and once retired he chose not to work.

Daniel holds no other directorships and has no ambitions to do so.

4.3.3 Description of the board (as given by interviewees)

The board members described themselves as running a small company in the same way they would a big company. They have all the structures and the disciplines that a big company would have, since this is what they were used to in their previous positions. This causes its own problems, because in most big companies *'you rely on an army of administrators'* (MD, 1), which they lack. According to the Chairman:

We try not to make it bureaucratic, we are conscious of that. We are running a smallish company; it will get bigger, and without making it bureaucratic, we make it formal and Peter produces an MD's report every month. We look at budget, we look at forecast. We do all the things that you would do in a well-run company (Chairman, 1).

According to the MD and non-executive, a lot of work is involved in preparing these pre-meeting reports, but this did not appear to be appreciated by the Chairman:

We have the set agenda and Peter's report will cover everything and we will get his report ahead of the meeting, so if there is anything coming out of that that needs to be pre-worked then we will do that, but generally that is not the case, so there is not a lot of pre-preparation needed (Chairman, 2).

It was generally acknowledged that the MD leads the agenda (*'We are all non-executive , and we tend to be led by Peter in terms of what his report contains and the format that we have for the agenda'* (non-executive , 1)), although the Chairman saw his role as being to 'coach' the board and the MD:

What I do try to do is sort of sit behind him and say, 'Well look there are various ways that you might look at this issue, or have you thought about this? Or these are the options, let me know what you think' (Chairman, 1).

The Chairman saw little point in expanding the board: *'The company is small, we work well as an effective little group. The only person that we would have added would have been the administrator finance person, but she wasn't interested...'* (Chairman, 1).

Board meetings are held regularly, with bi-weekly communications between the family members who *'have to remember to include the non-family member'* (Chairman and MD, 1.) *'We have nine to ten board meetings a year, which start at midday, and they finish around about 3 and 4pm and are held in a formal way'* (Chairman, 1). By the second interview, this had changed to every six weeks (Chairman, 2), while the other board members said: *'We have not had a board meeting in months'* (non-executive , 2) and *'over six months no meeting'* (FD, 2).

The Chairman gave a detailed description of how board meetings work:

The agenda consists of minutes of the previous meetings ... We then have a financial report, look at most recent period against budget and against forecast, and Peter then produces a cash flow forecast. Then Peter does his operational reports, so we talk about all the things that are going on in the business and we talk about things like new contracts and potential contract opportunities, and anything else that is operational we throw into that. Then we talk about staff issues, are there any particular staff issues that are board-worthy. Health and safety is a separate item on every board meeting. Legal matters, so that we are all aware as directors if there is anything going on legally and that's about it. We work to that standard format and we have found that we don't need to constantly change the agenda, because that is all-embracing. (Chairman, 1).

4.3.4 Recurring themes

All the directors consider Rhubarb a family business *'due to the dynamics'* (Chairman, FD and non-executive , 1), though they only call it a family business when it is helpful to do so. The Finance Director described what she saw as the good and bad points of being a family business:

> *The bad points are the father/son relationship; I think that is a very difficult thing to manage and I think that actually Peter and Toby do it very well. ...You can't walk away from it, you actually cannot just hand your notice in and walk away. The good things are that we can choose to do what we want to do, when you are working for somebody else you have to follow what they want, and this is our business and we make the decisions and if we decide that we are not going to make a profit because we are going to keep two people on until we get some more contracts...You can be, as a family company, you can allow the emotion to have an effect, your emotional response to have an effect and that has to be positive* (FD, 1).

The dynamics between board members was a key theme in the interviews. Both the FD and the non-executive suggested that the MD is the dominating force in the company. The FD said: *'...that is what we have done this year, that is what Peter has decided to do...'* (FD, 2), while according to the non-executive, *'Peter does what he wants, we are just a sounding board'* (non-executive , 2).

The FD also commented on the relationship between the non-executive (the only non-family member of the board) and the Chairman:

> *There have been a couple of difficult situations between Daniel and Toby, that have had to be resolved outside of the board room but it has never got to loud voices type of things, it has just been people feeling that they are not being heard. A tad of resentment, but they are both professional enough to know that they have got to revisit it and deal with it otherwise our working together on the board won't work* (FD, 2).

The Chairman also acknowledged that there had occasionally been clashes: *'Daniel has been exactly what we wanted, he has challenged us. He is not always right and I don't always agree with him* '(Chairman, 1). He described how the non-executive and his wife came down for a weekend and they held a board meeting on the Friday evening in the kitchen. The meeting was very heated and the weekend was ruined. While they still work together and remain friends, they have not invited them back for a weekend since.

The tense relationship between father and son was noted by the whole board. By the second interview, communication was breaking down, though this was not acknowledged by either Toby or Peter during the interview. While the FD and non-executive described the breakdown in communication and lack of meetings, the Chairman maintained that everything was the same.

Another recurring theme in the interviews was investment; the FD was uncomfortable with the idea put forward by the other directors to invest in engineering facilities for the company:

> *The three other directors want to invest in Rhubarb's own engineering facilities because our engineering costs are too great. My response to this is that if we invest in our own engineering facility, then we have a big capital cost... My recurring drive is that I don't*

think that Peter manages the work force in a financially efficient enough way, because I see it coming through on the numbers (FD, 1).

Both the Non-executive and FD noted the importance of re-discussing certain items despite the emotional affects.

'The same things do return, over and over again, in every business and each time you discuss them you get an element of development in it, somebody finds out something a bit more or something in the external environment has changed that means that you have got a slightly different perspective on it, so there is always that value in revisiting the questions. There comes a bit of frustration at times, we all try and back off from that emotional ' (FD,1)

Finally, the MD repeatedly expressed his frustration at the difference between running a SME and a large company. The Chairman also acknowledged that he and the other directors have had to adjust to working in a smaller business, admitting that'...*he* [the MD] *is teaching us to think about the values of a small business and to think longer term... we are all so conditioned by how we have had to operate* [in previous Directorships] *that we have all reacted in a certain way'* (Chairman, 1).

4.3.5 Shareholders

The company has several aims. These include creating shareholder wealth, providing employment for the family and others in the community and (on the part of the FD and Chairman) supporting and motivating their son.

The aim of Rhubarb, effectively, is to build it up and then sell it on to one of the big bus companies ...but I think that there is a bit of 'pie in the sky'..., the secondary aim is that it gives Peter employment and he is doing something that he loves doing and I am sure that there is a part of him that hates doing it too, like me, but his love of it is stronger than the element that he hates (FD/Chairman, 1).

One of the things that we quite like is the fact that we are providing employment for people...I think it is great, I like going to the business and doing a 'royal walk about', and the guys enjoy that and it is flattering (FD/Chairman, 1).

Yet their investment aims are similar:

*All the directors are shareholders, we have all gone into this as an investment and if there is any value in it, its long term value. We all put money in, so on day one it would have been pointless having put the money in to start drawing it out again, or to create a device which would be repaid as our money, for no long term benefit. ' (Non-executive, 2)*There is no next generation to pass the company onto and Peter (aged 39) is very aware that he does not want to be

...the superannuated 70 year old father figure shuffling into the depot twice a week, having given the whole of his adult life to it and once the great day is decided that his contribution has been exhausted and somebody comes along and buys the company, hopefully for a large amount of money, he will move on. In fact, if somebody made an offer that I couldn't refuse tomorrow, despite much emotional investment or capital that I have built up in the Rhubarb brand I would walk away and not look back (MD, 2).

The other board members are also aware of Peter's concerns:

> *There is also the fact that because Peter started relatively young, even if he gets 15 or 20 years out of it he can still walk away from it at a time in his life with a chance to become something different if he wants to. He is 39 now so could do this for another 10 years and then walk away and still wouldn't be 50. He likes the fact that this is not the summit of his life's work and that it is not the last chapter in the book* (Non-executive, 1).

4.3.6 Key elements of the board

- Each member is aware of their legal responsibility , heavily influenced by previous board backgrounds
- The board is run very strictly with roles, rules and agendas
- The business holds the family together
- The dual role of all board members classifying themselves as non-executive s but they are all investors (owners)
- The external environment requires skill
- There are various subgroups present on board
- The board disbanded during the research

4.4 Case 2: Motorhomes

Motorhomes is a family-owned and run business which was set up in 2003 by the son with funding from the father. The case was chosen as Companies House suggested that the company has three directors, but closer examination revealed a very different governance structure in practice; there are no board meetings, and the son/founder makes decisions in informal discussions with his father. The father had built up seven motor home companies, which the son had worked in but declined to take over as he felt it was too much. These were sold and the son set up his company initially on two sites with about nineteen employees. The company had a turnover of £10 million. This was subsequently reduced to one site and nine full-time staff and four casual staff. Current turnover is £7-8 million. The shares are all family held and distributed unequally between the three directors. They have never had a board meeting and do not intend to, as they feel there is no need. They re-invest profit into property and have a large property portfolio. They consider the business successful as it employs all three brothers and is making a profit. They are considering expanding but are aware of the increased work load and the economic outlook.

Table 4.4 Case 2 Company Profile

Turnover/staff	7 ½ to 8m Staff: 16 full-time 2 to 4 casual
Nr of directors	3
Type of meetings	No board meetings / Monthly staff meetings
Length of meetings	
Nr of meetings per year/month	12 per year
	Started in 2003 using family finance, got rid of second site 18 months later as it was too much. 100% family owned since 2008 and they also have a property business.
Description of the board	There is no board or board meeting but 3 directors are registered. The MD/son, Non-executive /father and Exec/brother. Son, who founded the company, at beginning sought 'a lot' of advice from father. Now only meet up to discuss the books 'as he knows what he is doing'. They meet annually to sign off the books with the accountants.
Shareholders	Father 60%, MD/son 30% and brother 10%
How well do they get on?	Brothers go out regularly and they are a close knit family. Clearly defined roles, the MD manages and his brother is in charge of after sales and service. His father does not come into the business and all wives are at home, but help out if needed. Board meetings and further structure is not needed as the current size is sufficient, it is more about getting lifestyle out of the business currently.

Table 4.5 Case 2 Directors Profiles

Coded name	**James (MD/Founder)**	**Tom (Brother)**	**David (Dad)**
Role	Sales	After sales and service	'On call advice'
Age	Early 30s	26ish	60ish
Gender	Male	Male	Male
Executive or Non exec	Executive	Executive	Non-executive
Shareholder	Yes	Yes	Yes
Family member	Yes	Yes	Yes
Personality	Perfectionist, very driven but knows his limit. Values family and family time	Fairly laid back, happy to let his brother manage things, family harmony is important.	Astute business man, difficult background has made him very focused and driven. Wants his children to have a secure future.
Other directorships	NM	NM	NM
Education	GCSE	GCSE/A-Level	NM
Previous work	Professional athlete Worked in father's company helping out and then full-time	Worked in father's company	Own company

4.4.1 Company background

Much of the current company's success is attributable to the experience and knowledge picked up by James, the MD, as he was growing up. David, his father started in the motor trade, doing a range of jobs from selling tyres to servicing cars and selling petrol. His move into motor homes came when he took an old motor home in part exchange and was asked to rent it out. According to his son, *'Slowly the motor homes took over the cars and he realized that it was an opportunity and it grew from there.'* (James, 1) The father built up seven businesses, which he co-owned with a friend who had worked for him since he was 16 and grew up with the business. Two of David's three sons worked in the business, though they were never put under any pressure to take over. The father's plan had always been to retire at about 50, and *'after having worked very hard at things for a good 30 years. He was about 52 when he sold the business around 11 years ago.' (James, 1)* The sons had always encouraged their father to sell the business, as *'it was far too big a vehicle for me to run and learn the trade; also I have always wanted to do things for myself.' (James, 2)* When the father sold his company at the age of 52, James remained there for a year, prior to setting up his own business.

When James set up his own company in 2003, his father and a non-family member were its shareholders and directors. Initially, the partnership was 50/50; James ran the company, his father supported him and the partner was fairly silent. When James opened up a second site in Surrey in 2005 (the first was in Hampshire), running the two places became increasingly difficult, and in 2008, it was decided that the partners should go their separate ways. James bought the premises in Hampshire to focus on motor homes while the partner, who was more interested in cars, retained the business in Surrey. James, his father and brother became the three shareholders.

James acknowledged that his background, knowledge and family finances were fundamentally important when he was first setting out:

> *An opportunity came up on the current site which was basically a car site and we originally went into partnership with the owner of the car site. The owner was struggling with the car business and wanted to go into motor homes without the funding or experience of how to do it. The prior relationship through my Dad gave us a standing start. We had good premises and a good location. The foundations had been set up and they were able to move in quite quickly. We brought the funding and knowledge, and the current owner had the site and the accounts.* (James, 1)

Having just sold his own business, James's father was in a position to help him financially. James appreciated both the serendipitous timing and his fortunate position in not having to rely on a bank, either at the outset or since:

> *If it was needed for the business, the property side of things could loan the company the money; that has got an income and a wealth that has built up so it would be stupid to approach the bank and do it that way.* (James, 1)

While he has *'no concerns about speaking to the bank'* (James, 1), he did state this would be only as a very last resort. Having entered the market when it was booming, the company grew quickly and James was able to repay his father within 2½ years. It is worth noting here that the family felt that for the sake of family harmony, it was important that this initial investment was seen as an investment and not as a gift to one brother. The company has grown steadily since then.

James described how his younger brother, Tom, entered the company in 2005, initially working with his father on the property side of the business before deciding that he wanted to work in a customer-facing role. Starting off at the bottom, he has learned the sales trade from the ground up and now runs the after sales part of the business. As James put it: *'Through a decision of his own he has stayed in the business and he is obviously a big part of helping it grow, he has deserved it and he is the best person for the job* (James, 2)*'*. James's comment is evidence of his concern that the company be run on the principle of fairness rather than nepotism – an attitude he learned from his father. However, he did regret that his brother was not there at the start as *'we could have done things together, built the business together'*. He thinks his brother may sometimes feel left out and excluded as a result.

James is aware that his team and family are his greatest assets:

> *We have got a real honest team of staff that everyone gets on well and close to saying there are no politics in the business. They all respect what Dad has achieved and having seen James build a business from scratch and seeing Tom come in – they have seen that we are all a hardworking and honest family.* (David/Father, 1)

He is eager to market the company as a family business: one where dogs and his children are regularly seen on the forecourt. He does not think his father ever felt the same way as his wife was not involved and his children only in a limited way. On reflection, James is not sure what he would have done if his father had not been able and willing to support him. He thinks that he would have risked everything to do it anyway, but he said he felt lucky that he was never forced to make that choice.

4.4.2 Main actors and roles

Three brothers work in the business: James is the middle son, Tom is six years younger and Rupert is four years older. Rupert, who was not interviewed, works on a self-employed basis and looks after the website. He comes in one day a week but is not actively involved in the business otherwise. James feels that while he and his younger brother have inherited their father's customer facing skills, R is more technically minded. As yet, there is no full-time IT role within the company.

4.4.3 Description of the board (as given by interviewees)

The board has reduced from four to three directors: the father, Tom and James. There are no formal meetings, agendas or structures. James commented: *'As a family, we know all about motor homes and know how to make a profitable business.'* (James, 1) He has no plans to create a formal board or to employ a non-executive as he feels the current structure is sufficient, although he has employed an external consultant in the past, which he found helpful.

> *We had a really good guy called John. We told him that what we wanted him to do was spend a day at the current site and a day at Surrey, and do whatever he had to do and put together a programme of how he thought we could get the best out of the team....He identified that they needed some training on selling this or that....They had a couple of sales training sessions with him, and still today they use some of the terminology and things that we were taught.* (James, 1)

All the directors are shareholders. A dividend was last paid in 2011; it was split according to the percentage of shares owned (the father owns 60%, James owns 30% and Tom owns 10%). While both the brothers are executives – Tom runs the service side of the business and James runs the sales side – the father is not involved in day-to-day operations. James explained that: *'Dad didn't sell his business to be involved in day-to-day decisions. If I need anything, I ask'* (James, 1+2). His father had governance structures in place in his own businesses: *'With seven branches, you have got to trust the people that are running them for them to know what they are doing. There were the right structures and controls in place.'* (David/Father,1) James is happy to take advantage of his father's experience, taking him to meetings with the accountants and learning from his father's questions, but he feels no need to involve him or his brother in the daily running of the motor home business.

While there are no board meetings, James does have staff meetings with agendas at least every month. He concluded:

> *It's a very manageable business that we have got. Both me and Tom are working on the shop floor and we see everything that goes on. That is not to try and control everything, it is just a very clean and tidy business, and we have got a great team of staff and have very little problems.* (James, 1)

4.4.4 Future plans

After his previous experiences, James is tentative about expansion, but he has always wanted to have a second site. In fact, he thinks that they will end up having three sites. While the finances are there to expand the current site, they are limited by the physical space, which means expansion can only be onto different sites. However, he is aware that the market has changed:

> *You have got to know your market and we are very, very good at that. Three years ago probably 30% of the business came through the magazines that we would advertise in, now that is probably 5%, the website, not just our website, but different stock directories as they are known...The markets change generally, it is a real hard call at the moment as to whether it is the right time expand or just sit and wait a bit longer.* (James, 1)

He is also keen to put the wealth being generated by the motor home business to better use:

> *We decided that the money that is sat there doing nothing, we are going to invest half of it into property, just to get a better return on the money, and won't stop then being able to buy five vehicles if they become available, whilst we can still trade and buy vehicles outright.* (James, 2)

Further investment in the property side of the family business (which involves the father and all three sons) will enable them to develop two trading businesses for tax purposes.

4.4.5 Key elements of the board

- On the job learning of Directors responsibilities from fathers company
- There is no official board but clear roles and an annual meeting with the accountant
- While the father and brother have shares, ultimately the MD will decide based on his aims
- The business is creates family wealth
- No subgroups on board

4.5 Case 3: Mountain Dew

Case 3 is a hazardous waste contractor. The company has three directors, a turnover of £4 million, 54 staff and three sites. The company was chosen as its board was only recently formed (2008), although the company has existed with a sole director since 1979. The founder originally intended his daughter to take over the company, but she decided against it and left after three years. According to Companies House, the founder's wife is the Company Secretary, although she has never attended a board meeting or an AGM. The fact that trust, processes and roles are still evolving makes this a particularly insightful case study. The board is developing rapidly as the directors settle into their new roles and each faces their own unique challenge: while the founder struggles to let go, the MD is grappling to gain control; meanwhile, the Operations Director, who has worked his way up the company and lacks formal training, initially felt out of his depth. The company is seeing year on year success, and the growing trust between the founder and his directors means that the latter are increasingly able to play their roles without interference. The founder's initial plan was to reduce his working week by one day each year from the age of 60, gradually releasing control and allowing the board to take on a more strategic role. This was derailed by the 2008 recession, and at the age of 65, he is still working at least three days a week. Nevertheless, he feels he has given the MD and Ops Director more power and trust. They have bi-monthly Board meetings with strict agendas and a protocol which consists of 25% current issues and 75% strategic forward thinking. The Board is described by all Directors in a similar way: The founder 'knows' the other Directors would not suggest anything he is likely to strongly disagree with, while the other Directors realise 'who is boss'. The 'plan' had been for the founders daughter (by first marriage) to take over, however she decided against it leaving the company 3 years after entering. The company places a high priority on the education and training of its workforce; it has helped all staff gain NVQs and supported the directors' training.

Table 4.6 Case 3 Company Profile

Turnover/staff	£4 million Staff: 54
Nr of directors	3 (+wife Company Secretary)
Type of meetings	Board and management meetings
Length of meetings	2 hours
Nr of meetings per year/month	6 board and 12 management per year
	Family business started in 1979, sole owner, the daughter decided not to join the business after working in it for 3 years
Description of the board	3 members Chairman/owner, MD, Ops Director – formed in 2008 The wife is Company Secretary and never attends meetings
Shareholders	100% owned by founder
How well do they get on?	Very well - the founder is learning to trust his fellow directors and their good intentions after nearly 30 years as sole director. There is an unspoken understanding that he 'expects' the other directors not to suggest something he would not agree with; they understand their roles and that ultimately, he will decide as Chairman and founder.

	Very forward-looking and organized - board set up with help of a consultant and everyone is finding their roles slowly Director education has played a key role

Table 4.7 Case 3 Directors Profiles

Coded name	**MD**	**Owner/founder**	**Ops Director**	**Owner's 2nd wife**
Role	MD since 2011 (in business since 2005)	Chairman	Director	Company Sec
Age	41	60s	50s	Late 30s
Gender	Male	Male	Male	Female
Exec or Non-executive	Exec	Exec	Exec	-
Shareholder	No	Yes- sole	No	NM
Family member	No	Yes	No	Yes
Personality	Perfectionist, very proud of where he has got to and of his IOD qualifications, very ambitious	Adventurous entrepreneur, after 2 recessions had wanted to only work 1 day a week but the business needs him	Calm and slow, a doer- not a reader, likes to understand things and take his time. Is out on the road a lot.	NM
Other directorships	None – but would like to be a non-exec to gain experience	Has other companies and helped set up various organizations	NM	NM
Education	A Levels and Business Administration degree, various director training courses	GCSEs and Director courses	GCSE's and Chartered in the Institute of Occupational Safety and Health	NM
Previous work	Next and EMAP	Civil Engineering – became a contractor and then self employed	Chairman, is a member of IED	NM

4.5.1 Company background

Mountain Dew was started by the current Chairman and founder with a friend in the 1960s, but the friend left the company a couple of years later. The name was *'bought off the shelf at Companies House'* and the business was originally *'a little industrial cleaning business'* (Founder, 1). By 1979, the company employed staff and was cleaning warehouses, sheds and garages, but it was hard hit by the

1993 recession, when it was forced to reduce from two locations to one and cut the workforce from 75 to eighteen. Following another period of growth, by 2003/2004, turnover stood at £900,000 and the company employed around 20 people. The aim was to hit £5 million+ turnover by 2012, but the company again suffered in the 2008 recession. The MD, who joined in 2004, observed that: *'In 2008 we were hit hard, like the rest of the construction industry; otherwise, we would have hit the 5 million'* (MD, 1). Following this recession, the MD's role became increasingly focused on developing the business.

According to the owner, in 2007, he realised that having only one director was probably not the *'right way to take the company forward and develop it further'*. (Founder, 1) Although previously advised by his accountants against having a board, he decided that the company needed to have a proper board in place. After attending a director's course, and when he realized that he could have a board without parting with shares, he went ahead with his plan. Having attended the IoD's training course himself, the owner sent his MD on the same course, and the MD then went on to do a Master's level course. The MD tells the story slightly differently. According to him, while the owner and he were training, the issue of whether the company should have a board was being regularly discussed in the monthly management meetings. Gradually, it was decided that formalizing and improving the way that they made decisions and used information could improve the company. In other words, the decision to set up the board was actually made over a long period and the whole process involved a lot of persuasion and gentle encouragement.

Deciding that it was too much to have six people reporting directly to the owner, a new structure was devised, and in 2008 the board was formed with the appointment of the MD and the Operations Manager as the second and third directors. The *'accounts lady'* (Founder, 2) became the Company Secretary, and even after the title was then taken by the owner's second wife, though the previous title holder continued to file annual reports and other company secretary duties. Creating the board has meant the founder has had to learn to let the other directors contribute and to loosen his grip a little. A symbolic step was made in 2010 when he officially appointed the Managing Director and became Chairman. Today, the Operations Manager holds monthly management meetings, usually without the MD or Chairman being present.

An insightful side note, the owner commented that, with hindsight, having a board might have helped during the 1993 recession (Founder, 1 and 2), although he thinks it likely that a board would have implemented mass redundancies. At the time, several senior managers advised this, but he decided against it: *'The solution was there; I just didn't like the idea of making my staff redundant'* (Founder, 1).

The company was refinanced at the beginning of 2009 with the EFGS (Enterprise Finance Guarantee Scheme) *'because the banks were getting difficult'* (Founder, 1). Today, Mountain Dew primarily operates as a licensed, specialist contractor. The removal of asbestos accounts for around 80% of the business, and it has a consultancy division that undertakes surveys and advises businesses on how to deal with hazardous materials. The company also undertakes *'highly hazardous works within other materials e.g. lead, PCB, petroleum and various other bits'* (MD, 1).

Mountain Dew is a family business *'...in so much as the Smith family own it outright and it was always assumed that the daughter would come on board and the owner's wife is the Company Secretary but she doesn't attend the board meetings; she just signs off afterwards'* (MD, 1). The founder's daughter entered the firm in 2004 as a surveyor, but she decided she did not like the construction industry and left to pursue other interests. The MD hinted that there had been friction between him and the daughter, stating he was *'relieved'* (MD, 1) when she left, but none of the other directors mentioned any friction. All the interviewees asserted that there would be no point in talking to her about the family business; the MD declined to give her contact details, arguing that her views were irrelevant and of *'no interest'* (MD,1), while the founder stated she was now working in a different sector (Founder, 1). In order not to break the rapport, the researcher did not push the matter, but their reaction was insightful.

Mountain Dew regards itself as a strong investor in its people:

> *We have a lot of boys who walked out of school with not a single qualification to their name at 16 years old, now in their mid to late 20s and they all have opportunities to develop themselves here. We became the first company in the UK, three years ago, to put our entire site staff through relevant NVQs to the work they were doing* (MD, 1).

The MD suggested that:

> *One of the integral functions of a board of directors is to make sure that the directors provide the resources that the business needs to grow and go forward, and the key resources are the people that we are employing* (MD, 2).

The company sees NVQs as essential to developing a talent pool upon which it can draw for the next ten years. The directors argue that this also saves on recruiting costs. The company is equally keen to educate its directors (Founder, 2). The directors are particularly passionate about business sustainability and for the last two years have been part of the PLATO programme, a European-funded programme helping directors to support each other. This has led to the MD becoming a mentor to other SMEs. It has also encouraged the company to look at how it can make the business more sustainable and add value. A key focus of board meetings is future strategy. Conscious that many of its competitors have gone bankrupt, the company aims to mitigate long-term risk by staying abreast of the relevant legislation and bringing younger people into the business. With 95% of the workforce living within 10 miles of the site, the company is keen to promote itself as a local business and contributor to local employment.

4.5.2 Main actors and roles

The MD describes Mountain Dew as a *'lifestyle business for the owner, as it has facilitated a very, very comfortable lifestyle for him and he doesn't really want for anything, monetarily speaking...'* (MD, 1). The owner has several other companies, including some holding companies, in a variety of fields. By the time of the second interview, he had reduced his working time from 3+ days to 2.5 days per week. The other directors are aware that this gradual relinquishing of control is changing the dynamics in the company. According to the MD:

The owner is in his mid-60s and doesn't want to be in the business every single day, and doesn't want to be putting in 60 hours a week. It was an interesting year as the owner had to relinquish quite a lot of day-to-day control and allow others to run the company as they saw fit and in his interests, because he was the sole shareholder (MD,1).

The Ops Director has been with the company for over 20 years: *'probably the best part of 25 years, and started off in construction, and progressed himself up through the business over 15 to 20 years'* (Founder, 1). He became a supervisor, then a project manager, moving steadily up through the company on the operational side of the business. In contrast, the MD joined at management level in 2003, having gained experience in other companies.

4.5.3 Description of the board (as given by interviewees)

An external advisor was brought in to set up the board, Board Charter (which sets out the board's standards and values) and a provisional agenda. *'This also avoided possible friction on the board as "an external" was responsible for the structure'* (MD, 1). The board is very structured: meetings, which are held bi-monthly, spend 75% of the time focusing on the future, looking at opportunities and ways in which Mountain Dew can innovate, and 25% of the time analysing the current status of the company. The meetings usually last about two hours and discussion of any other business is banned. Each meeting has an agenda; directors are provided with the relevant reports one week in advance, to enable preparation for the meeting. A traffic light system is used to show the importance of items on the agenda. All directors are quite structured in how they put things onto the agenda and in the information that they provide before board meetings. They have a strict rule: *'If it's not on the agenda, then it is not discussed; we discuss it afterwards.'(Ops Dir, 1/MD1,1)*

Board meetings have taken a while to become established in the culture of the company. Trust has had to be built between the directors and the founder. Previously, the Chairman/founder had *'just always been in charge'* (Founder, 1) and initially, board meetings did little more than rubber stamp his decisions. Over time, they have developed into *'good discussions'*, according to the MD, though he qualified this by saying: *'I know who is boss'* (MD, 1 and 2). Similarly, the founder commented: *'They know what I like and they would not bring something into the boardroom I would disagree with.' (Founder, 1). All the directors* felt they have developed over the last few years as a board, explaining that they *'operate quite formally because it is prudent to do so'*. The MD acknowledged that: *'It took a good year to get around to the idea that forming a board could be a good thing...it literally was not the case that overnight we transformed into a perfect board of three; we made some appalling decisions'* (MD, 1). Referring to the small size of the board, the MD noted that: *'it is not huge, but the board had to fit for the type of company'* (MD, 3).

Mountain Dew is an unusual business in that it has to operate under various licences, which heavily influences the governance of the business. Governance must address two major areas: health and safety and environmental commitments, and legislation. As a limited company, it must also comply with certain financial, structural and legal requirements. Each board member plays a role in helping the company to meet these various responsibilities. The Ops Director is chartered in the Institute of Occupational Safety and Health, while the Chairman is a member of IED and has been *'in this game for 30 years'*.(Ops Dir, 2) Both the MD and the founder emphasized that they do everything they can *'to ensure that Mountain Dew is a modern, forward thinking, 21st century, professional business... companies need to look at their corporate governance, they need to look at their compliance, and so on'. (Founder, 1; MD,1)*

As their newly formed board is still *'feeling its way' (MD,1)*, all those interviewed felt a non-executive *'would not bring a huge amount extra to the party'.(Founder, 1+2, MD,1)* The directors felt that, between them, they have a range of competences, knowledge and insight sufficient for the company's current size and market position. The MD speculated that if the company grows to achieve a £5 million turnover, a non-executive's point of view might be helpful, but the Chairman was hesitant, having had an unproductive experience in the past with accountants on the board. Both he and the MD pointed out that they have a third party mentor, who has looked at how they make board decisions. This external feedback ensures they are not insular; they welcome constructive criticism, but they are not quite ready for a non-executive yet.

In an interview with a National Newspaper, given shortly after he was interviewed for this study, the MD discussed the importance of his personal education and the key role played by the board in progressing a small business:

> *As a chartered director, I have shaped the structure and focus of our board of directors so that we instil enormous confidence in our clients about our future, and that is winning us new business in 2012. By focusing the board around setting strategy, promoting our mission, vision and values, practising first class corporate governance, providing resources and robust policies, and delegating authority to management, we are being recognised by clients and prospects as a strong and sustainable business, and that is directly impacting on our winning new business...Best practice means best board practice for Mountain Dew, and that is winning us business now, and will continue to do so. (MD, 2012)*

The MD sent a copy of the interview to the researcher via email with the note: *'next step FTSE'* – a clear indication of his belief in his own and the company's vision.

4.5.4 Key elements of the board

- Clear legal and director knowledge with two directors completing in-depth IOD courses
- The directors' training has heavily influenced the board structure, composition and roles
- The board is run very formally with rules and agendas
- The business is developing constantly as its board evolves, initially with external help
- Subgroups of family and non-family exist
- Differing aims may exist between the founder and the business which the board needs to work within

4.6 Case 4: Paperclip

Case 4 is a medium-sized retail business turning over about £15 million. It has 140 employees in seventeen shops and has expanded continuously over the past five years. It has no formal governance structure despite having nearly gone bankrupt twice. The owners are a migrant family; the second and third generation are UK born but the first generation are Ugandan-born Asians. The father started up the business; his three sons entered the business when it was struggling and have built it up to provide employment for all family members, including two daughters in law (the third is a dentist). They do not perceive their company as large enough to require a formal structure, suggesting that so far their strategy of discussing matters around the dinner table has proved successful. The 'board' comprises the three brothers, the father and a family friend (referred to as 'Uncle') who owns the other 50% of shares. They meet two or three times a year to discuss the finances, with additional emergency meetings as required. However, as two of the brothers, their father and families live in the same house, and the two brothers responsible for most of the decisions spend much of their time together, communication is constant.

Table 4.8 Case 4 Company Profile

Turnover/staff	Turnover in 1982 was £1.7m, now £15m Staff: 140 Have 17 shops
Nr of directors	5 (father, 3 brothers, family friend/shareholder)
Type of meetings	Annual 'signing off accounts' meeting with all shareholders – regular dinner table discussions
Length of meetings	Annual meeting 3-4 hours
Nr of meetings per year/month	1-2 a year with accountant and major shareholder to discuss
	They have a property side to the business, building flats above their shops where possible, and invest all profits in property
	The company employs the 3 brothers, father and uncle (not shareholder) and two daughters in law
Description of the board	None. Meetings are held annually Company 50/50% partnership with the father and brothers (family 2) owning 50% and a partner (family 1) owning 50%
How well do they get on?	Brilliantly! (R+K, 1 and 2) Father and two sons with wives and children (g3) share a house, whilst third brother lives close by. The two interviewed directors discuss and decide everything and only involve others if they feel more discussion is needed. Roles are clearly divided (sales, strategy and finance/marketing) and there is a very high level of trust.

Table 4.9 Case 4 Director's Profile

Coded name	**Rhasheed**	**Kamil**	**Dhareef**	**Dad**	**Dad's friend**
Role	Growing the business	Day to day	Sales	NM	Financial Controller
Age	40	42	NM	NM	NM
Gender	Male	Male	Male	Male	Male
Exec or Non-executive	Exec	Exec	Exec	Exec (part-time in company)	
Shareholder	50% jointly	50% jointly	50% jointly	50% jointly	Yes – 50%
Family member	Yes	Yes	Yes	Yes	No
Personality	Very driven, ambitious, perfectionist	Ambitious, likes harmony	Outgoing, , target driven		
Other directorships	NM	NM	NM	NM	NM
Education	University	School	School	School	NM
Previous work	Started IT company	Straight into FB	None	Own business	NM

4.6.1 Company background

The father, a serial entrepreneur, left Uganda with his family when Asians were expelled in 1968.The father worked in commodities in the City for about ten years while the mother raised the family. In 1982, at the age of 40, he bought a chain of three retail shops (Company A) with three other City brokers. The father had a minority shareholding of 12.5%, and none of the brokers had retail experience. Driven by the desire to escape the City and build a future for his three sons, the father learned as he went. All three sons went to private school and grew up helping out in their aunt's store before eventually following their father into the business.

Ultimately, the father bought out the other shareholders of Company A with a partner, to create Company B, the family's first company which was a loss-making business. Kamil joined full time in 1992/1993, followed by Dhareef, who with an aptitude for sales, quickly turned one shop around to a healthy profit. Dhareef continued in sales while Kamil returned to head office to learn and train with his father. The family then purchased a second shop after 3 years. With a turnover of £1.7 million, there was not enough money to buy the business outright from the partner, but following a two-year long court battle, the father bought him out for £450,000. The family was faced with rebuilding the business, which they did by *'hitting the phones and establishing a very good pipeline* (Rhasheed, 1).

In 2006, the family acquired a new company. In order to buy Company B, they had to bring in a friend and current shareholder to help purchase it on a 50/50 deal. Kamil and Rhasheed wrote the business plan over six months and asked the bank for the finance. This left them with a debt of £6 million. Company B was a group of eleven shops which all needed renovating, but its acquisition left the family with just two competitors in the south east. However, the purchase was badly timed and both businesses nearly went bankrupt. The first year was very hard and many sacrifices had to be made: *'The lease was a huge problem and meant we had to sell one prime property and buy two other shops quickly to keep the foothold in Town O'*. (Rhasheed, 1). There were staffing issues also, including redundancies and tribunals. A previous director of the company, who had held a central role, committed fraud and then set up as an online retailer in the same field. On top of all this: *'We had to move warehouses, and sales were sliding by about 30% - the recession hit us very hard as well'*. (Rhasheed, 1).The bank, which doubted their ability to run sixteen shops, put them under additional pressure, fining the company for covenant breeches even though *'...we were in a good position with cash flow. Company A kept Company B afloat as its foundations were more solid'.(Kamil, 1).*

They worked 24/7 trying to keep businesses and personal assets afloat, only using help from their father's friend and business partner in the business and a financial controller, who gave them advice. A turning point was 2008, when a major competitor went bust. *'It took out another competitor from the market. Things started to improve in 2008, and then 2009 was even better, and we had started to turn the company around. We were never complacent though.'* (Kamil, 1) Their business strategy revolved around knowing that their market is in more affluent towns.

Although they consider internet competition an issue, the brothers initially said they were not looking to expand any further; they were cautious, having already nearly lost Company A and Company B. However, in follow up correspondence, the brothers have revealed that they are in negotiations with Company C, a competitor who has gone bankrupt, to take over all of its seventeen shops. This acquisition would nearly double their company and give them a presence in the more affluent towns of the south east. The bank may not always have been helpful in the past, but it is now supporting them fully:

> *... we are the most successful retail business in the south east, at a time when high street retail is dire...We have gone from servicing a £6 million debt to having enough money to pay off the bank and all their debts, and we have invested heavily in property, especially building flats on top of our shops. .. (Rhasheed, 1)*

4.6.2 Main actors and roles

The three sons learned the retail business from an early age. Dhareef, the only brother born in Uganda, was taken out of private school when money became a problem and put into state school. A natural salesman, he went into the business after leaving school, followed by Kamil, who took on responsibility for stock. Rhasheed, the middle brother, did a Master's degree at university and worked in IT for a large corporation before being asked to join the business when it was struggling.

The business is at the heart of the family. The brothers described spending a lot of time on the phone to each other, sometimes at the expense of their respective families, and emphasized that they will do *'whatever it takes to make the business successful, to the point of refitting shops ourselves, sleeping on the floors and doing it all ourselves'* (Rhasheed, 1). They described how all the family join in to help paint and build shelves for a new shop, and how this is followed by a celebratory meal for everyone. Not only do two of the brothers and their families live with their father and mother, but two of their wives also work in the business.

Describing their approach to life, the brothers said that they and their families have never had a lavish lifestyle as they are acutely aware that things can change very quickly. All the children attend private school, as they did themselves, as they feel that education is important. They keep themselves healthy and fit as they believe it is important to be active and they want to be able to do everything themselves if they have to.

4.6.3 Description of the board (as given by interviewees)

There is no formal board, only an annual get together with the accountant to discuss the year's performance. Day-to-day decisions are made by Rhasheed and Kamil, while Dhareef is out networking and selling – occasionally phoning in if he needs something. However, the brothers Kamil and Dhareef and their families live together and business is often discussed over the evening meal or by the TV. All shareholders meet up for family or community events and business ideas and views are often exchanged at these. Big decisions are discussed in the family (the outside shareholder has input only if it is a higher risk or unusual decision) and usually settled there and then, unless someone wants to sleep on it or has strong objections. The brothers would never do anything against the family and they each trust each other and themselves. The father is still very involved in the business, coming in and speaking to the brothers regularly by phone. Both brothers agreed that the best thing about working in the business was the flexibility; neither would want to work for anybody else: *'I don't like being told what to do'* (Rhasheed and Kieran, 2). Satisfied that they are doing a good job by themselves, the brothers felt uncomfortable at the thought of letting someone else in. As one brother put it:

> *...we don't see ourselves as that big which is why we do not think a board or an external director...would add value, we talk to each other and friends...we don't want or need anyone...maybe we wouldn't even let someone else in.* (Kieran, 1)

There is no plan to introduce more governance or formulate a succession strategy. Mindful that the odds are against a third generation business still being successful, their strategy is to build up a portfolio of properties which can be managed individually. Nor do they expect the next generation to have the same bond; although some of the children have grown up together, they are cousins rather than siblings. They are also aware that the mixed cultural environment could affect the prospects for succession. Vague plans for the future include selling their 50% of the business, investing more in property, changing the business strategy and just waiting to see what happens.

4.6.4 Key elements of the board

- There is a general awareness of legal responsibilities primarily through information given from the accountant
- There are regular unofficial meetings but no official board
- The two brothers decide most key areas, there are clear roles divided amongst each person's strengths and personal preferences; the annual accountant meeting serves as a monetary review.
- They see no value in a board – as their current strategy has been successful
- They are strongly aware that g3 might have other aims and are growing the business for family wealth

4.7 Case 5: Sunshine Consulting

At the time of selection, this company had three directors, including a husband and wife team, and held regular board meetings and strategic days. The company, which declined to reveal its turnover, is a recruitment consultancy. It used to have 29 employees, but this has now been reduced to 20. Since the non-family director left, the company has restructured, developing strategic links with other businesses and replacing the bi-monthly strategic board meetings with informal meetings attended by these new associates. These meetings are used to update staff and work out more effective ways of growing the business and sharing knowledge. The company was in transition during the data collection period: at the time of the first interview, the old structure had just been changed; by the second interview, the new structure was not yet operational but a date for the first meeting had been set. The husband and wife, who continue to have their own meetings at home, did not want the other director to be interviewed. The wife had bought his 25% share of the company and no further links existed. The couple have no children and currently have no exit plan.

Table 4.10 Case 5 Company Profile

Turnover/staff	29 employees reduced to 20
Nr of directors	2 (previously 3)
Types of meetings	Non-formal board, strategy days, weekly operations meetings (previously quarterly meetings)
Length of meetings	Sunday afternoons between TV football games
Nr of meetings per year/month	52 weekly operations meetings – Bi-monthly 'board'
Description of the board	Vicky and her husband rarely see each other. They have discussions when they can; for form's sake they call the ones on Sunday board meetings.
How well do they get on?	Husband and wife have clearly defined roles and can differentiate well.

Table 4.11 Case 5 Directors Profiles

Coded name	**Vicki (wife)**	**Jeff (husband)**	**Sam (previous)**
Role	MD	Finance Director	HR
Age	40-50	40-50	40-50
Gender	Female	Male	Male
Exec or Non-executive	Exec	Exec	Exec
Shareholder	75%	25%	25% SOLD
Family member	Yes	Yes	No
Other directorships	Art charity trustee 20/20 board	2 other SME boards	NM
Education	NM	NM	NM
Previous work	Recruitment	Accountancy	NM
Highlighted personality/ role or events	Strategic, likes harmony and people. Wants to develop more non-executive roles for herself	Numbers person, diligent, feeling the pressure of being over worked	Very organized, perfectionist, straight talking

4.7.1 Company background

Sunshine Consulting is *'an eclectic search firm which has been going for twelve years and currently recruits at senior management board level across the UK'* (MD, 1). While most of the work is UK/Europe based, the company has been expanding into the international market for a few years with the furthest assignment being to recruit in Papua, New Guinea. Sunshine Consulting was created by a wife and husband team who wanted to work for themselves. Having had a previous negative experience, they decided against any external investment: *'The idea was that we wouldn't have external investment and we would fund it ourselves'* (MD, 1). Giving up their jobs, they worked from home, without a business plan.

> *We had worked out that we had enough money for about six months and didn't take any salaries initially. We thought that if we got to the end of the six months and we were still trading, then we would be ok, and we were...and are!* (MD, 1).

Vicki's mother gave them £5000 to help set up the company, which was spent immediately on a single advertising promotion in the local paper. While this kick-started the business, her mother was quite shocked and no other family members offered financial support after that.

The business grew, but in 2009 the loss of a big contract meant they had to make staff redundant and re-strategize.

> *It was a question of regrouping and going back into growth. We grew to 29, then had to let some go in 2008 and more in 2009 and then 2010 just stayed as we were and then 2011 went back to growth and then this year we have brought in these new people'* (FD, 1).

4.7.2 Main actors and roles

The two directors have clearly divided responsibilities. The husband, whose background is in accountancy, is the Finance Director. He spends much of his time travelling around the country working with other Finance Directors; he also advises SMEs on strategy, performance and bottom line profitability. Vicky studied human communication at University before going to work in a US recruitment firm as a regional manager before returning to the UK and continuing work in the recruitment sector. For the last 3½ years she has been a trustee of a charity arts centre in Bristol. She has also set up a board support group which holds two meetings per year.

4.7.3 Description of the board (as given by interviewees)

The recent departure of the third director after six years has changed the dynamics of the board. Board meetings were previously very formal and structured; the FD described this director as bringing a *'professional touch and energy'* (FD, 1) to the meetings. Vicky said that she felt the board added value, even though it would sometimes say *'no to some of my ideas'* (MD, 1) (she mentioned that she now has to keep a very close check on herself as she knows that she can get carried away). Now they have monthly 'board meetings', and agenda and strategy days, but it is very different. She described how these meetings happen:

Usually on an afternoon when the football is on I do all the paper work, I work out the questions I have and the suggestions. At half time we discuss. These meetings can go either way, depending on the team's performance, but it's the only time we have together (MD, 1).

Other decisions are made on the phone as her husband travels a lot.

Since changing to a less formal board, they have altered their business model to include associates. These associates '*have a voice without the shares, duties or rights of a director*' (FD, 1). Vicki felt that the associates have brought in the new ideas, strategy and drive the board needed. Rather than create a formal board, appoint a new director and redistribute shares, they are happy to listen to their associates and critically discuss their ideas. The meetings '*are like a weekly update of what everyone is working on and any issues or problems, any gaps that need to be seen, any networking and where, who has been seen*' (MD, 1).

Despite their lack of a formal board,

> *...this year we have been more structured in having a very formal marketing approach with an associate doing the business plan, how we present the company, the words we use, looking at image and using Google Alert, which has been very valuable for us* (MD, 1).

Previously, they did not have the capacity to do this. Business results have been immediate and the company has raised its profile. All this suggests they have found a governance structure to suit them.

4.7.4 Key elements of the board

- Appear to be aware of some legal responsibilities due to the consultancy
- Previous regular board meetings were successful; directors seek to achieve the same board value without incurring financial costs
- Current board meetings have a different structure and are held spontaneously and without the 'challenging atmosphere'
- Using strategies such as associates to replace the board has proved effective in debating ideas where roles are informal
- The aims of the owners/shareholders are not be known which creates a subgroup of family and non-family

4.8 Case 6: Smith Furniture

Case 6 is a family business in which all three daughters from the third generation work in the business. A retail furniture business, set up by the grandfather after the war, it has a turnover of £14 million from two shops and employs approximately 100 staff. The grandfather's recent death has left the father, his three daughters and their husbands in charge of the business. All three daughters have business degrees from university and none have ever worked anywhere else. They have all been made directors, though they are unclear whether they own any shares. Shares can only be held by blood relatives, and the current share distribution is weighted with the father (g2). All three daughters are married with children and thus identify strongly with the issues facing working women. The board of directors comprises family members only, but the Finance Manager is also invited to the meetings. The grandfather was a charismatic leader who fostered strong family bonds; his passing has changed the dynamic within the business. While the family's core values have been maintained, other things have changed. The aim is to keep the business in the family to provide employment and a comfortable lifestyle for future generations. There are currently 5-9 children of G4. This means they need to grow the business.

Table 4.12 Case 6 Company Profile

Turnover/staff	Main city branch £11 million/smaller town branch £3 million Around 100 staff overall
Nr of directors	All family – father, three daughters and two husbands – Finance Manager invited to meetings
Types of meetings	Weekly management meetings – 2 hrs Quarterly board and managers' and directors' meetings
Length of meetings	2 to 3 hrs
Nr of meetings per year/month	52 weekly ops meetings 4 board and managers' meetings
Description of the board	Family and Finance Manager
How well do they get on?	No dividends paid Get on very well – take regular holidays together but are aware that staff may feel left out

Table 4.13 Case 6 Directors Profiles

Coded name	**Jessica**	**Vanessa**	**Michelle**	**Husband1**	**Husband2**	**Scott (Dad)**
Generation	Daughter/G3	Daughter/G3	Daughter/G3			Son/Father/G2
Role	Day to day	Buying	Marketing	Day to day	After sales	MD
Age	28	31	33	32	35	60ish
Gender	Female	Female	Female	Male	Male	Male
Exec or Non-executive	Exec	Exec	Exec	Exec	Exec	Exec
Shareholder	No	No	No	No	No	Majority shares

Family member	Yes	Yes	Yes	No	No	Yes
Personality	Youngest, friendly, sociable, adaptable, naïve	NM	NM	NM	NM	NM
Other directorships	No	NM	NM	NM	NM	NM
Education	University	University	University	NM	NM	NM
Previous work	None	None	None	NM	NM	NM
Highlighted personality/ role or events	Bubbly, fun, naive	Direct, emotional, straight talking	Bubbly, creative, direct	NM	NM	NM

4.8.1 Company background

This third generation furniture shop has weathered numerous recessions to become one of the largest independent furniture retailers in the UK. It has two sites covering a combined total of 85,000 sq ft: location A has approximately £11 million turnover and 70 staff, while location B has a turnover of approximately £3 million and 30 employees including all the third generation daughters and their spouses.

The business was set up by the grandfather when he was demobbed from the army after the war. Then 22 years old, he used his £70 demob money to start 'The Fireside Library' with a partner. According to Dad: *'It was really a credit round, he would go around to people loaning them a book and putting it on credit'* (Director, 1). As the country got back to normal, the credit round and its profits grew. The partner left the business and the grandfather (g1) opened a carpet shop, then started selling furniture. His son Scott (g2) joined and they opened the second store, focusing on the more profitable furniture sales. As the business grew, the son took on the admin role while the grandfather continued in sales, which was his first love. Although the grandfather became less involved over time, he continued to go into work right up until his death. He became *'an institution'* (Director, 1), appearing on the shop floor and chatting to staff and customers alike. By the time he died at the age of 83, he was no longer involved in the daily running of the business, but his loss has been sorely felt: *'..the whole ethos was dented...Father has never been that sort of personality as Granddad who had a real flair and real love for it'* (Director, 1).

The father dropped out of college to help his father (the grandfather) run the business, and his sister also worked in the business for ten years. She still owns shares, but none of her children work in the business as they do not live locally. All three of the father's daughters entered the business after university. When they joined, the company name was changed from Smith and Son to Smith Furniture.

Accounts are completed by an outside company specializing in family businesses. Weekly management meetings are held to maintain internal communication. These last around two hours and are attended by all line managers. There is no formal agenda. Other, informal meetings are scheduled around the daughters' family commitments.

Although the parents are divorced, the entire family, including the parents' new partners, holiday together annually. The daughters live in close proximity to each other and see themselves as sisters first, then business partners. They may have disagreements but *'at the end of the day, we are sisters and in charge of different areas for a reason'* (Director, 2).

4.8.2 Main actors and roles

All of the sisters grew up intending to enter the family business and none have worked anywhere else, although *'We were always encouraged by the family to prove our point and get a qualification in our own right. I joined in 2007 after travelling for three months'* (Director, 1). All three daughters worked in the family business for pocket money during school holidays and remembered it being part of their daily life when they were growing up: *'We would be picked up from school and popped in for an hour or so. We have always been a part of it, and would do a bit of photocopying or something'* (Director, 1).

When the three daughters joined, they all *'started off with no title, just doing general things'* (Director, 1). Each one spent a year working their way around the departments, completing a month in each one, to get a good general knowledge of the company. Michelle (the eldest) specializes in marketing, Vanessa (the middle child) in buying and Jessica (the youngest) works underneath Dad, who is the MD. It was originally intended that Jessica would take over as MD, but neither she nor her father now want this as they feel producing and bringing up g4 is more important. Her father fears for her work-life balance if she becomes MD, preferring her to get the benefits of a family business without the worries and strain. Moreover, appointing Jessica as MD would effectively place her over her sisters, disturbing the hierarchy.

Two of the sisters work part time due to child care responsibilities, while Jessica is due to have her first child soon. All three husbands work in the business. Jessica's husband, the After Sales Director, has been with the company for twelve years. Michelle's husband, currently Operations Director, may become MD, enabling the father to become Chief Executive. This role has been vacant since the death of the grandfather.

4.8.3 Description of the board (as given by interviewee)

Upon being asked if they had a board and board meetings, Jessica answered: *'No, I don't think so'* (Director, 1). Following further questioning, she suggested the researcher might be referring to the *'finance and number meeting'* (Director, 1).These meetings are held quarterly, have a formal agenda and last about three hours. All six directors are present (three daughters, two husbands and the father) as well as the Financial Director:

> *That's not his title but he is doing that job, would put it all together in a pack. The directors and the non-executive managers all attend this meeting and then the next day there is a meeting with the line managers and they are given an overview* (Director, 1).

The quarterly director meetings are held purely to address the financial side of the business.

> *The profits, the profits that we want to make, what we are going to do if we have lost profits, are we going to sign off rent and what do we do in the year. It might be that our accountants join us in on some of them, depending on what stage of the year. The last quarterly meeting before they post the figures, one of the finance guys from an external company would be in on that meeting to advise what can and can't be done. The MD's role is to take the company forward... so in a board meeting as an MD he has an idea, if I don't agree as a director my vote counts'* (Director, 1).

All directors have equal standing in terms of voting rights, although the father has more say. They *'...have got a couple of executive managers and may possibly in the future think about adding them to the board of directors'* (Director, 2). Further, *'We have a financial controller who knows the family finances and the business finances, he is a real key guy that has been involved for years and is doing the job of director but without the title and we may make him a director'* (Director, 1). She noted that they are reviewing the Board Charter at the moment.

The grandfather and grandmother had shares which were split between their children when they died; the father received more than his sister since he was actively involved in the business. While the interviewee emphasized that shares would only ever be given to the Smith family bloodline, she was unclear how many shares everyone held. Although the intention had been to pay dividends, this has not yet happened. She explained that: *'By keeping it to the family blood, it means that there is no problem, and that is a key to moving forward for the future'* (Director, 1). The aunt will have to leave her shares to the three Smith daughters who are actively working in the business, as will the father, who owns the majority share. This will ensure that the three daughters have equal standing in the company.

The directors have created a five year plan to meet the growing needs of the family and the changing demands of the business. They want to grow the business *'as two stores can't support us to the same level'* in terms of lifestyle and they want to provide employment for the next generation.

> *We want them to see where the business is going and give them something to work towards. Through the last few years with the recession we have just kept going sideways and slowly bringing the figures back up, but now we need a plan to put into action before the years have gone by and we are three years further down the line. If we could earn figures dealing with 3% of the local area and get another area at 3%,that would be sufficient'* (Director, 1).

They plan to *'stick with furniture, as there are enough potential sales'* (Director, 1).

4.8.4 Key elements of the board

- Directors all have degrees but have no training in being a Director, learning instead from Dad
- Regular structured board meetings occur with clear roles and composition
- Subgroups exist and the family rules the board
- The business exists to employ family members and offer a lifestyle

4.9 Case 7: Logistics

Case 7 is a medium-sized company which has grown with informal governance. It is now being sold by its owners. The sector and stage of the company make this a very insightful case study, as the board dynamics are unique. The turnover and number of staff were not mentioned during the interview but FAME showed 60 employees and a turnover of around £20 million. There are six directors; since the wife joined in 1997 and formalized key parts of the company (including meetings, health and safety and HR), the board has held regular meetings. Over the last 20 years, the company has tripled in size. It is run as ABC Holdings, a holding group which contains two logistics companies, for financial reasons.

Table 4.14 Case 7 Company Profile

Turnover/staff	20million / 60 employees
Nr of directors	6
Types of meetings	Monthly Board and monthly management meetings
Length of meetings	NM
Nr of meetings per year/month	12 per year
Description of the board	MD (who is also Chairman of the Board)/director/accountant/2 non-executives/Company Secretary (who is also HR Director)
How well do they get on?	Fairly well The Company Secretary has organized the meetings and made them more professional, but directors find the meetings hard due to work pressure. The company is not meeting- or strategy-oriented, but she is, due to her background and previous work.

Table 4.15 Case 7 Directors Profiles

Coded name	**Wife**	**John (husband)**
Role	Company Secretary/HR Director	Chairman of the Board/MD
Age	NM	NM
Gender	Female	Male
Exec or Non-executive	NM	NM
Shareholder	Yes	Yes
Family member	Yes	Yes
Personality	Organized	Tough and a fighter
Other directorships	NM	NM
Education	A levels	A Levels
Previous work	Banking	Transport
Highlighted personality/ role or events	Enjoyed bank work then wanted a challenge	Has had past businesses – wants to succeed

4.9.1 Company background

In 1992, John (husband and Chairman) completed a management buyout of the logistics with his wife's funding and support. The company was owned by two feuding brothers, who left the industry completely following the buyout. Having grown this company, he bought a transport company and then a logistics company. These three companies were amalgamated into one location, sharing warehousing and staff. Since 2000, in an attempt to professionalize its operations, the company has paid particular attention to training its staff. The Company Secretary explained that this is quite unusual in this sector:

> *The transport industry as a whole is a poor industry and there is not money around to spend on that type of thing and if it doesn't cost actual physical money to send people on a course, it's the time element, and so in the real world unfortunately, it doesn't happen* (Company Secretary, 1).

However, these courses have not brought about the cultural and organizational changes they envisaged.

The central instrument of governance is the management meetings which

> *...are much more focused on what is happening within the workplace...we can do this and what is that going to involve, will it mean more drivers, or the account doing this, that type of thing. Also meeting once a month is quite hard to do because the transport side of it is a 24/7 operation 364 days of the year, so to get people out for a couple of hours if they didn't get in until 2 o'clock in the morning, from the director's point as much as the rest of the staff, then we have a meeting at ten o'clock...Sometimes they are a bit bleary eyed, as they have already worked eight hours and I have only been in the workplace for an hour and went to bed at 9 o'clock. To have more than one a month is quite demanding* (Company Secretary, 1).

Apart from board meetings, the company also holds health and safety meetings. At the end of the interview, the Company Secretary disclosed that the business has been sold to two brothers. *'They... will review the situation, make cuts in staffing'* (Joint, 1). Neither she nor her husband want to see the hiring and firing. She stated: *'It is quite a sad period really, it has been our life really since I have known him, this is what we did.'(Company Secretary, 1)*

4.9.2 Main actors and roles

The Company Secretary focused chiefly on her role within the company and how she had given the initial funding and continued support to her husband. The backgrounds and roles of the other directors were not described in detail. Having had a long career in banking and after serving as a magistrate for 22 years, at the age of 55, this interviewee decided she wanted a change. She was the Company Secretary for a number of years, attending board meetings but not as an active member. She has only been actively involved in a directorial role for the last six years. She is mainly concerned with insurance claims, HR and health and safety.

According to the Company Secretary, there was a lot of animosity when she first joined the business, because she knew very little about the transport industry. However, she felt she had earned her place as she had put money into the business. She has not been elected to the board but chooses to be there; she noted with pride that she attends every meeting. Initially, she knew little about the operational side but she felt that as an outsider, she could look at the operation objectively, using her business experience to perhaps see things that were wrong. She observed that before she came, the company neither adhered to health and safety regulations nor had proper contracts of employment. She took on the role of suggestion-maker, prompting animosity from employees and even her husband when using phrases such as: *'why do you not think about this a bit more laterally...'* (Company Secretary, 2)

4.9.3 Description of the board (as given by interviewees)

The board is made up of six directors: the MD of Jones's Freight (also the Chairman of the Board, husband of the company's secretary/ HR Director), the Managing Director of Smith's Freight, an accountant, 2 non-executives and the Company Secretary/HR Director (wife to the Chairman).. Both the non-executives are ex-employees and *'are used for their connections with customers and knowledge of the paths, as it were'*. (Company Secretary, 1 and Chairman, 1). Apart from the Company Secretary, all the other board members are male. All the directors hold shares, though she and her husband are the majority shareholders. The Company Secretary described board meetings as

> *'more of a formal meeting than a get up and go meeting. We are could be a team. The board meetings are really the legal requirements for this size of company and cover cash projections, what the expenditure is going to be for the next quarter and that type of thing'* (Company Secretary, 1).

Having come from a banking background, when she started on the board, the Company Secretary set about formalizing the meetings and making them more professional. According to her husband, *'We needed to improve it. Lots of things were better once we were having regular meetings, with better communication'* (Chairman, 1). However, the rest of the board initially found it hard to accept her because she was the Chairman's wife. As time has gone on, she has established her role within the board; she thinks that she has *'opened up their eyes that there is a different way of looking at things as opposed to the black and white scenarios that they were perhaps looking at'* (Company Secretary, 1). She thinks that she has changed the dynamic and now gets a fair amount of respect, although she admitted that *'there is sometimes a different answer to a problem, and they considered this, and the implications of going down this route are this... but I still make the odd mistake...'*. (Company Secretary, 1).

Board meetings are formal. According to the Chairman:

> *...we do send out, obviously, an agenda, and we also send out what contribution we require from them, what we expect from them. We accept that not everybody is meeting-orientated really. So when I say they don't come prepared, it's in their head, it's not on a piece of paper that they can draw up some statistics...* (Chairman, 1).

The Company Secretary described the change in how meetings are run: *'through coaching...*[the MD]*now produces statistics at meetings...He has been on training courses and has got involved in the local business meetings...He is a bit younger than the others and he is more prepared to change'* (Company Secretary, 1.) However, she felt there was a clear difference between herself and her husband and the other directors in terms of their attitude to board meetings, largely due to their differing backgrounds.

> *They are all operational, but generally, they are just not as one could be. My husband is extremely prepared for everything that he ever does and knows exactly what he wants out, so he comes exceedingly well prepared. I think I come exceedingly well prepared because of my background. The others are very much operational and it is almost a waste of time to them to be attending the meeting; the mobiles are going and they have to do this and that, because they're operational they are just focused on getting the job done and maybe (they) don't see the bigger picture* (Company Secretary, 1).

She did also suggest that she and her husband may be more prepared because they are able to discuss what they want to get out of the meeting at home beforehand. Their relationship is a strong force within the business. The couple celebrated their 25th wedding anniversary in October 2010, she 'joked' *if we make it that long.'* (Company Secretary, 1).

4.9.4 Key elements of the board

- Directors have no formal or legal training for the Board
- Regular board meetings occur with clearly defined roles and agendas
- A subgroup of the husband/wife ruling the board exists
- Board meetings are structured but directors appear to be disinterested or more operational than strategic
- The aims of the family and business may be in conflict

4.10 Case 8: Electric Spark

Case 8 is an energy reseller family business, which is at the beginning of transitioning second to third generation It was started by the grandfather (g1) in a back bedroom and now the third generation of the family is now being inducted onto the board, which currently consists of a brother and sister (g2). Turnover increased from £40-45,000 in 1999 to £750,000 in 2011 and the company has 22 employees. When the grandfather left the board due to poor health, the dynamic changed and meetings became less organized, but since the grandson (g3) joined the company, the dynamic has changed again. The grandson has brought in more business, for which he has been rewarded with a place on the board and 25% of the shares. The aim is now to build a strong board to support g3 in growing the business. The directors have used the services of a business coach, and despite having initially been resistant, they feel they are benefiting from the change in dynamic this has brought.

Table 4.16 Case 8 Company Profile

Turnover/staff	£750,000 Staff: 24
Nr of directors	3
Types of meetings	Board and management meetings
Length of meetings	NM
Nr of meetings per year/month	12 management meetings per year; approximately four board meetings per year
Description of the board	G2 sister and brother, g3 grandson
How well do they get on?	The sister is building up a strong board in order to support her son when he takes over the company

Table 4.17 Case 8 Directors Profiles

Coded name	**Jean (sister, G2)**	**Louie (grandson, G3)**	**Mike (brother, G2)**	**Grandfather (retired, G1)**
Role	MD Admin and accounts	NM	NM	NM
Age	NM	NM	NM	NM
Gender	Female	Male	Male	Male
Exec or Non-exec	NM	NM	NM	NM
Shareholder	Yes	Yes	Yes	Yes
Family member	Yes	Yes	Yes	Yes
Personality	Very family-oriented	Ambitious and driven	Laid back and detail orientated	Serial entrepreneur
Other directorships	Chair of Cambridge Chamber of Commerce	NM	NM	NM
Education	School A levels at night school	GNVQs	NM	NM
Previous work	Accounting General Manager in an	Shelf stacking	Various employments	Self-employed

	engineering company			
Highlighted personality/ role or events	Encouraging the son and other younger employees to empower themselves – ready to learn and improve	Focused on the business and grow	Happy for sister to steer company	Serial entrepreneur

4.10.1 Company background

The grandfather started various companies in Africa, the Far East and the Middle East, which *'just dried up'* (MD, 1). The current business was started in 1994 from the grandfather's front bedroom in Sheffield, following the deregulation of the energy market. He recruited companies and started trading *'because the companies that were around at that time didn't want to do it that way and he did'* (MD, 1). He sold energy directly to consumers, acting as a third party. In 1996 he was joined by his son, Mike, who intended it as a stop gap while he looked for another job. He worked from the back bedroom, while the front room was used as an office. They expanded into a proper office when Jean joined, though she worked from home. Realizing they were not performing optimally, they rearranged their roles according to their individual strengths: the daughter worked in administration and accounts, while Mike and his father concentrated on sales. According to the MD, *'It carried on from there really; we sort of muddled along as a company'* (MD, 1).

Of the grandfather's four children (one daughter and three sons), only two have chosen to be involved in the business. The grandmother has never been involved in any of her husband's companies. Initially, the company was a partnership between father and son, becoming a limited company when the daughter joined. Shares were divided equally between the three until the grandson joined: *'...we all gave him a share each and he is an equal shareholder as well. So now it's 25% all round'* (MD, 1).

The grandfather (g1) retired in 2001, aged 65, but then set up another business as a European gas broker. Due to ill health, he became unable to manage the company, so a partnership was created. *'We are partners but sleeping partners so if there are any problems we can sign the documents and we run it for him but Dad takes the majority of the income from it'*(MD, 1).

Louie, the grandson, (g3) left school at 16 and went to work for Tesco, following his ambition to have a career in retail. However, he then decided *'to give it* [the family business] *a go and he took to it like a duck to water really'* (MD, 1). The MD explained that:

> *When he joined the company, we set a target that if he managed to do so many new sales in a year we would make him a director and he did...I want him to eventually take over, so the plan is that he will take over in three years, and so he is starting to do some business training. He has done his NVQ Level 4 in business admin, and now he is doing a business and finance course for next year. He is really looking forward to taking over* (MD, 1).

The plan is that the MD will become Chairman, while Mike will stay in his current position. The MD emphasized that great importance is placed throughout the company on work-life balance and family closeness:

> *6 o'clock is the deadline and people are not encouraged to be working at night or the weekends. If they can't do it 9 till 5:30 then we need another employee...Also I am the luckiest mum on earth, to see my kid every day* (MD, 1).

A key turning point for the business came in 2007 when the company appointed its first apprentice. Although an ambassador for the National Apprenticeship Service, they thought that it would be very difficult to have apprentices, but now *'50% of our employees are apprenticeships'* (MD, 1). The directors have found that the suggestions made by apprentices can be as useful as those made by consultants. *'They look at the company with a fresh pair of eyes, and they bring new ideas and they probably question things that are taken for granted because it has always been done that way'* (MD, 1).

As it is difficult to attract experienced employees, many are taken on aged 16. The family has found that these young employees are

> *...a lot more committed to the company because we have trained them and they understand our ways and everything. We have a strong corporate culture/work ethic/values in the company. We are...very open with the staff, who have all got access to the five year plan, so they can see exactly what is happening and where the company is going. It is a very open family culture as it is very important to the company that everyone feels like they are part of the family* (MD, 1).

4.10.2 Main actors and roles

The three board members come from different educational/professional backgrounds. The MD described how she left school at sixteen and went to work in an insurance company but was frustrated to find that her lack of higher qualifications meant that she could only progress so far. Accordingly, she decided to go back to college: *'I did my A-Levels at night and then got interested in accountancy and discovered that I had to be qualified to be an accountant so I went back to college to do a HND in financial sector studies'* (MD, 1). When her children arrived, she stopped working for a few years. At 29, she became General Manager in an engineering company, which she described as *'a very untypical female job, then and now'* (MD, 1). When the company relocated, she went back to college and completed her qualification as an accountant.

Her boss in her next company told her she had no career prospects, so she left. This was followed by a bout of serious illness; while she was recovering, she went to work in the family business as a stop gap. She explained:

> *They appreciated that I was poorly and couldn't do full time but had a lot to give...it was a stop gap and sort of cushioned me from the world and meant that if I wasn't well enough to go to work that day I didn't have to and then it became full time and I never left* (MD, 1).

It is of significance to note that both siblings entered the family business as a stop gap, though they brought very different qualities and came from different educational backgrounds. While the daughter (g2) completed her education, her brother (g2) chose not to follow an academic path.

In addition to her work on the board, the MD has various other commitments; she is Chair and Director of two separate Chambers of Commerce, an Ambassador for the Apprenticeship Service and a college governor. She has also been appointed the *'business face of ABC Enterprise and Education to encourage proper work experience and schools with corporate governance issues'* (MD, 1).

4.10.3 Description of the board (as given by interviewees)

The company distinguishes between board and management meetings. They have monthly management meetings with the senior management team which have a fixed agenda. The grandfather still has an indirect influence and is welcome at these meetings; according to the MD, *'He sometimes comes along to say, "Well done"'* (MD, 1).

Board meetings are held roughly four times a year; they have no agenda or specific time limit and are used to discuss *'anything that shouldn't be discussed in front of the senior management team, mainly the higher finance issues'* (MD, 1). While the grandfather is no longer actively on the board, he is consulted on some issues. There are no immediate plans to appoint a non-executive to the board, but they do not rule this out for the future. At the moment, the company has an alternative resource, as explained by the MD.

> *We have a business coach as we won her in a competition. Because we are a high growth business, we were given a business coach and although initially we weren't sure what we would do with her, now we can't imagine life without her. She...is back every quarter...One of the benefits of having her is that we thought we were very open with one another, but found we weren't. She is like an impartial third party in the room and makes a lot of difference and things moved forward. It has changed the business. She is like a non-executive director even though she isn't one. She is very involved; even though we only see her once a quarter, she likes constant updates* (MD, 1).

The company has experienced rapid growth over the last few years; it now wants to consolidate this growth and implement its five year plan, part of which is to strengthen the board. The MD explained:

> *In three years it will be at £2 million turnover and be about 29 employees. We really need consolidating because we have had such rapid growth...We only have a five year plan at the moment and eventually I won't want to do it anymore, but at the moment I am there to give support as I want a stronger board when my son takes over* (MD, 1).

Careful thought has been given to the size and composition of the board:

> *The board is this size so that my son (g3) will have strength underneath him and the admin manager is very strong on admin and HR, and my brother (g2) is very strong on sales and training and indirectly in marketing* (MD, 1).

4.10.4 Key elements of the board

- Directors have no formal legal or director training and have used outside coach to improve governance and structure, learning by experience with the coach
- Board meetings previously held informally but coach helped open eyes and instituted regular strategic board meetings to be attended by family members only
- The business exists to employ family members and service their lifestyle
- Subgroups exist within the family

4.11 Consultants Cases

While the board has been chosen as the unit of analysis in this study, it was felt that the findings would be enriched by also including the observations of individual professionals who have experience of working with family business boards in a consulting capacity. These professionals give a different perspective on how these boards work. Three individuals were interviewed (two male and one female); they shared their stories of working with a range of companies. All of the consultants regularly work with family business boards, both the male consultants have also served on family business boards, as Chairman.

4.12 Case 9: Lionel

Initially, Lionel was interviewed as a non-executive in a family business (the intention was to interview the rest of the board as well). However, during the two interviews conducted it transpired that he had served as both a Non-executive Director and Chairman in several family businesses, as well having his own consulting company. Two of Lionel's stories are presented here. They recount his experiences working as Non-executive Chairman of the Board in a second generation garage, and in a husband and wife-run country house hotel. The two stories offer contrasting pictures of how boards work in family businesses.

Lionel described his career as: '*...different, opportunist, not a smooth normal path. I have worked in lots of industries and I have reinvented my professional self on loads of levels.*' (Lionel, 2) He currently sits on the Dorset Committee of the Institute of Directors, teaches the Chartered Directors course for the IOD, guest lectures at various universities and runs the consultancy company Boardroom Dynamics. He started off as a coal miner before going on to read theology, New Testament Greek and physical education at university. He was a PE and RE teacher for a couple of years but didn't like the work, so he went to work in a sports centre, rising to become the local authority's Head of Leisure and Recreation, at which point he was head hunted by Mecca. By the age of 35,he had completed a Diploma in Management Studies, won awards and joined the board at Mecca, a company with approximately 13,000 employees and a turnover of about £77 million. Two years after he joined, he was part of a directors' buyout and a year after that, the company was floated on the stock exchange. After the buyout, the company merged with the Rank Organization and Lionel joined the Operating Board. He recalled that:

> *The company was huge with 55,000 staff and turnover was £3 billion. It was too big so I bought out Rank's Property Company in a management buyout and set it up as an independent business, as a property developer... we won the British House Builder of the Year Award in our second year, which was great.* (Lionel, 1)

However, after about five years the banks wanted *'what I felt was onerous personal guarantees which I wasn't prepared to give, so in 96 or 97 I just packed a rucksack and went hitchhiking around the world for twelve months on my own.'* (Lionel, 1) Having completed a Master's degree in Art and Ideology at Moscow and St Petersburg Universities, he returned to the UK feeling he *'needed to do something'*. According to Lionel, he set up his own company because *'I think that I was unemployable.'* He set up Pro Am in 1997, subsequently rebranding the company as Boardroom

Suite. The company, which has associates rather than employees, offers boardroom consulting, training and coaching. It currently has two directors (ownership is split between them with 75% being owned by Lionel) and pays dividends but has no shareholder meetings. Board meetings are informal; twice a year, more formal meetings are held with the accountant to sign off the accounts.

The legal responsibilities of directors under the Companies Act were a recurring theme in Lionel's interview, especially when he was describing how he decides which companies to become involved in.

> *When I am deciding which companies to be a non-executive in, the overriding situation is that you use a bit of due diligence, as you don't want to end up in court, because if you are only there one or two days a month, you have to have a huge amount of faith in the operation of the executive directors. I look what values they personally believe in and what values does the company operate. That would be one of the first questionable things. I would be looking at talking to some staff and do a bit of research on what is the reputation of the company. Have they had any accidents? Have they been to court? Have they been sued for anything in the last few years? Are there any current disputes? The thought of being in a joint action – because it is the board collectively that runs the company of course – doesn't have a great deal of appeal. The other thing that I would look at would be cash flow. Are they operating at the fringes or is there a healthy cash flow? Which means that their creditor days are not extended.* (Lionel, 1)

He is also aware of the potential for conflicts of interest when choosing which positions to accept; for example, *'I couldn't be a director of another director training company'*. (Lionel, 2)

Two of the stories Lionel told were of particular interest as they illustrate the different ways in which family firms react to outside expertise on the board. The first story also suggests that in a SMFB, a non-family Chairman may actually have only a limited influence.

Table 4.18 Overview of two non-executive cases

	Garage	Hotel
Family Business	1st and 2nd gen	Husband and wife
Turnover/staff	£9 million Staff: 80	£3 million Staff: 50
Lionel's role	Non-exec Chairman	Non-exec Chairman
Nr of directors	6: 3 family/LS/2 other non-family	4: Husband/wife/chef/LS
Types of meetings	Board - monthly	Board - quarterly
Length of meetings	3 hours	1-3hours
Nr of meetings	12 – monthly meetings	4 – quarterly meetings
Description of the board	Father, 2 sons, 2 other non-family and Lionel	Husband, Wife, Chef and Lionel
How well do they get on?	Nightmare - Family mafia situation! Family rule and make all decisions outside of the boardroom Always arguing, the two sons are not	Enjoyable! Family can put their alliances aside and work together through issues unemotionally and productively. Skills training is

	skilled enough for the board	improving skills shortage.
Outcome	Against Lionel's and the board's advice, the company took on a new MD who bankrupted the company.	Due to financial constraints, Lionel will be withdrawing as a non-exec as he feels it is too risky to maintain the position.

4.12.1 Illustrative case 9.1: Automotive/breakdown/transport company

Company background

This case was a family garage, roadside rescue and low loader transport company, set up by the father and run by himself and two sons. The turnover was £9 million and it employed 80 staff. The company had no formal structure before Lionel introduced regular board meetings. There were six directors – three family and three non-family – but the family controlled the board. Against the board's advice, the family appointed a new MD who has since bankrupted the company.

The firm's main business was doing rescue and recovery for the AA and RAC. It also operated a fleet of low loader lorries and delivered ABC Tractors all over the country. The sons joined the company in their mid-twenties after qualifying as motor mechanics. According to Lionel, they were *'quite competent mechanics: one was the service manager and one was the recovery manager.'* Because there were two very different parts of the business, they had two operations teams. Lionel was called in *'as the father was approaching 70 and decided that he didn't want to do five days a week so he would just come in one day a week.'* (Lionel, 1) He was looking for an interim Chairman for a couple of years until his two sons, who were in their forties, were skilled enough to take on the role.

However, when Lionel took on the role, it became clear that the owner was reluctant to let go of the business. He admitted to Lionel that *'the boys are not particularly good but they will always be in this business as directors, irrespective of their competence'.* One of the sons was noticeably more capable than the other but, according to Lionel:

> *I don't think that the sons would ever openly admit that their skills weren't good enough but I think that they knew that. When we first started to formalize the structure of the board, it was very evident. The Board Director Evaluation showed that a balance sheet and a profit account would have been completely alien to them.* (Lionel, 1)

Lionel was obliged to help them in basic ways:

> *When we had written reports I had to correct them before they even reached the board because the grammar and the spelling were atrocious. They had never worked in any other business; they had no points of reference. They had never undertaken any training apart from technical training; there was not a culture of learning whatsoever.* (Lionel, 1)

The family had a strong sense of family and non-family, especially when it came to the board: *'The only time they recruited outside the family was when they had a requirement for such as a Finance Director that had to have an accountant qualification'.* (Lionel, 2) Even so, there was intense friction between the family members. There were also fundamental issues:

The difficulties really arose with the owner of the business, where he felt that he was taking the business and his vision which was to make the family extremely wealthy and comfortable for the rest of their lives. Now this was never going to inspire a workforce.

How the board operated

Before Lionel was appointed as Non-executive Chairman, the company had weekly meetings but these had no agenda, nor were they minuted. *'There was no sense of any corporate governance whatsoever and the directors never presented written reports and recommendations. There was no risk management worth talking about.'* (Lionel, 1) After his arrival, board meetings were held once a month. They were scheduled around the production of the monthly accounts so that directors were able to receive the accounts approximately 48 hours before the meeting. The meetings were run

> *...to a fairly standard board agenda with a declaration of conflict of interest at the outset, so any item on the agenda where there was conflict was declared before we started. The format of the meeting was the apologies, minutes of the last meeting to be approved and signed, soft and hard copy kept in the minutes book. Agendas would have been out with reports attached 48 hours in advance. Matters arising from the minutes that were not covered in any of the reports and there would also be an action sheet with the minutes so that you noted the decision and who was going to action it. All the agenda items were timed and that time budget was a really critical part of giving the meeting some structure. The meetings lasted about three hours, and the senior ops team/senior management team would deal with the operations and submit a board report within their papers. The two sons and the accountant were part of the senior management team as well.* (Lionel, 1)

There were various reports:

> *...the MD's report and that was preceded by an economic and industry overview... so you are talking up to the minute stuff that was important to the company. After the MD's report it was the FD's report, going through the numbers. Any decision on any item on any of their agendas that required a decision, they had to make their own recommendation. They had researched it and I wouldn't simply accept that we ask the board to decide. You would say, 'What do you think that we should do, what is your recommendation?' We had all had a chance to read it and assess it and come to a judgement and then there would be a standard item on policy formulation, then a standard item on health, safety and managing risk. Any other business was only allowed at the Chairman's discretion and notified in advance, so people couldn't slip things in at the end.* (Lionel, 1)

Occasionally, discussions got out of hand: *'Because of infighting between the family, a couple of times I had to stop the board and speak to them individually and we would then reconvene'.* Lionel described their conduct as non-professional and child-like. This left the non-family members of the board feeling frustrated:

The board was wholly ineffective; the decision making process was based on personal power and it was very much the dominant coalition within the board. The non-family directors really knew that and it was almost pointless them putting in an argument because the family made the decisions outside of the meetings. (Lionel, 1)

Further, *'The FD was a competent guy, he was an accountant, but he was being driven mad by the incompetence of the two Operational Directors... '*(Lionel, 1)

The family were unaware of their roles and responsibilities as directors:

It was hard to get them to accept that they had to do this as much for their own protection as directors as anything else. They were looking at a business that was fairly high up the scale on risk. They also didn't have any Directors and Officers Insurance. They were personally massively exposed and liable if something went wrong for which they were accountable. (Lionel, 1)

4.12.2 Illustrative case 9.2: Hotel and catering business on the Dorset /Somerset borders

Lionel is Non-executive Chairman for a husband and wife team who run a hotel and catering business. The business has a turnover of £3 million and employs 50 staff, including their teenage son who works at the weekends for pocket money. This country house hotel has won numerous prestigious prizes. Husband and wife both have degrees in hotel and catering management and had been operating for about six years before the formal structure was set up. There are four directors: the couple, Lionel as the Chairman and the Executive Chef, though only the husband and wife own shares.

Lionel entered the company to set up formal structures as

...they felt that they needed a Non-executive Chairman to lift them out of the day to day and to really ask the question: 'Where are we going, where are we taking this business and what is our exit route?' and to put in really best corporate governance. They were not comfortable in their role as directors. (Lionel, 1)

They have quarterly board meetings around the kitchen table with a cup of tea, *'but it isn't enough.'* However, Lionel realizes:

They are struggling a little bit now with the downturn, and weather conditions last winter didn't help. All the Christmas events were cancelled so it was an absolute disaster. At the moment they can't afford my fees, so there is a financial issue, and I have decided to go in and see them and I will probably have to withdraw as I am putting myself at risk. (Lionel, 2)

Lionel has introduced various measures, educated them in terms of their legal position and showed them how to 'read' the books. A lot of development work has been involved, though the directors have been *'highly supportive of the notion of collective decision making.'* He observed: *'Jim is a brilliant chef, wins prizes and is almost a celebrity chef but didn't know what a profit and loss was'.*

Describing the dynamic of the board, Lionel said:

> *They get on well as husband and wife and are able to differentiate between their roles outside of the boardroom and inside the boardroom. They are very intelligent people and they have got high social skills and very good communication skills. The chef is not so good on that; he is still quite crude in many ways but learning.*

As Chairman, Lionel runs his board meetings to last for about three hours. They follow the same format as described in the previous section.

4.13 Case 10: Bruce

Bruce, who is 65, has been a consultant for nineteen years. He began as a psychologist; after completing his PhD, he worked in his wife's family business for over 20 years. The business had a turnover of £80 million and employed 75 staff, but despite its size there was no board of directors. When his sons sold the business, he started up a consulting group with six other professionals. On reflection, he feels that a board would have been a significant help:

> *The two siblings, both of them felt they should be the one who should take my place when I retired. We had to work that issue out but I just handled it myself and I can look back and see that I could have had a lot of help in growing the business further and helping me to establish some better management situations. I think again, at that time, I was not aware of how important a board was. You are so involved in running the business and managing issues that it wasn't until later that I got involved consulting myself and understood how important a board is to a business...I look back and think that it could have been a help had I done it. The other thing is that, talking to other family businesses, very few had boards.(Bruce, 1)*

Having now worked with many family businesses and conducted his own research, he is able to identify what successful family businesses have in common:

> *In family businesses that are over 100 years old they had three common strategies that existed in these families. Number 1: they held family meetings. Number two: they had a strategic plan and Number 3: they had a board of directors. This was common among over several hundred families that were 100 years or older. So those were the three dimensions. The board of directors plays an important part. (Bruce, 1)*

According to Bruce, a director is: *'an individual who is selected to help the governance of the business. The board of directors are there to help the shareholders in ownership to see that the business grows and is operated in a profitable manner'. (Bruce, 1).* He sees the board as a team; conflict can be healthy as long as each director knows their role and why they are on the board. Specifically: *'Usually, it is how you handle conflict that affects the board's success; what seems to make the board successful is how they can handle conflict'.* In family businesses, conflict can be exacerbated by family loyalty unless *'everybody realises that they are there to make the company profitable and grow' (Bruce, 1).* The conflict can be resolved *'if there is trust and respect between the board members.'*

In Bruce's opinion,

Attorneys and accounting people should not be appointed to boards...they are being paid for their advice, as a legal advisor or as an accounting firm, and I don't think that they can be non-biased in their thinking in what they can contribute to the company. (Bruce, 1)

He suggested that non-executive s can also fall into the trap of putting their own career interests above the interests of the company or family, with the result that they may go along with family demands and not challenge other board members when they should.

Bruce argued that trust and understanding between family and outside board members are best built *'through education...and/or a plan of succession'* which is openly communicated. However, change will only come about if a business is *'ready to accept outside advice...and...you can't put a time frame on that'(Bruce, 1)*. He suggested that: *'By the second generation there should be outside members and then in the third generation there are usually cousins involved and it is even more important to have somebody that can act as a mediator and facilitator'(Bruce, 1)*. Occasionally, Bruce noted, family members may try to use the board to resolve family issues, but directors are there *'to look at the business and help the business grow and be profitable and manage governance according to good methods...not to mediate internal family feuds' (Bruce, 1)*.

Bruce recommended that full board meetings should take place at least four times per year and that the agenda should be set jointly by the MD and Chairman. Meetings should last two to three hours but no longer. He noted that in a family business, it should be the role of the Chairman to set the agenda and ensure that everyone has input and adds value to the board. In Bruce's view, the board is likely to fail if the Chairman *'thinks that he is there just to chair the meeting'*. Directors should have the agenda in advance so that they can prepare the questions they want to ask (or those they will have to answer) at the meeting. Bruce also emphasized the importance of the board meeting as an opportunity for directors to check that the company is following the top management's strategic plan.

In his opinion, a director's background is a crucial factor in determining the kind of contribution they will make:

If they have served on a board in a public company and then started their own business, then they are more prepared to add value to the board, or served on another board of a very successful company. They are able to add value to the board by bringing their knowledge as to what made the other company so successful. (Bruce, 1)

However, they must keep up to date with the business and changes in the environment. Too often, according to Bruce, *'they have their way of thinking when they come in and that is their limit, and they can only handle a certain limit up to a certain point'*. The big fear among directors now is the fear of being sued: *'You have certain liabilities and more directors now want to make sure that the company will insure them against any liability'. (Bruce, 1)*

Bruce stressed that for a board to work well, there must be compatibility between the board and the Managing Director. It is clear that the board is faltering

...when the people, the outside directors, are not looking forward to the board meeting. They are not looking forward to coming to the board meetings and attendance begins to fall off and meetings are kept short and kept to protocol without trying to develop some direction for the company or talking about the Managing Director and so forth. The meetings are held with just what is required by law that they do and kept short. Those symptoms are showing that something is not working in the board. (Bruce, 1)

He thought that board evaluations are a good idea, recommending Caplin and Norton's balance score card as a way of measuring board performance and progress.

Despite the potential challenges, Bruce claimed that it is becoming more common for family businesses to overcome their natural inclination to keep everything in the family and to appoint boards:

They don't like to share what is going on in the family or the business, so to bring in outsiders you have to open up about your financial stuff too. That is changing now...you have to develop a sense of partnership and feel that there is cooperation between the family and the board members. (Bruce, 1)

Smaller companies might start with an advisory board, which is selected by the owners, before moving on to a governing board elected by the shareholders. However, although there are more publications and education available to help businesses understand the importance of a board, many companies are still too preoccupied with day-to-day operations to spend time thinking about how to put a board together or professionalize their governance.

4.14 Case 11: Jackie

Jackie, who is 50, teaches courses for board members in various places including the Institute for Family Business, writes for the *Financial Times* and works as a consultant. She believes private companies are the only way out of the recession, and that '*they are going to have to be accountable to their shareholders just like public companies' (Jackie, 1)* but that *'they will admit that they need to do it but they won't necessarily do it.' (Jackie, 1)*

She suggested that governance and boards should be arranged *'depending on the level of generation and the level of complexity'*...but emphasized *'every family firm is different.' (Jackie, 1)* Although conventional wisdom suggests that firms with 50 or more employees should have a board, this may not be appropriate in every case. She identified three types of conflict that can affect how boards operate: *'Task, process or relationship. What needs to be done, how it needs to be done and what the relationships are like for board members'. (Jackie, 1)*

Like Bruce, Jackie characterized boards as teams; they must share a common objective and aspirations: *'...they leave their egos at the door....They are working for the good of the company and to generate value in the organization and they do need to put their personal objectives aside.' (Jackie, 1)* She felt it was particularly important that boards focus on aligning the family strategy with the business strategy. Again, like Bruce, she suggested that board meetings should be held every quarter. She argued that these meetings should not just be for reporting on performance, recommending that at least half the time should be spent on strategic and longer-term issues such as *'...discussion about other markets that we might go into or where we need to be in five to ten years or ways in which we might diversify the business'*. However, she acknowledged that a large proportion of the process happens outside of the boardroom: *'Most of the decisions get taken before board meetings...The hard work comes in between the board meetings'. (Jackie, 1)* She also acknowledged the difficulties of getting boards to be more transparent:

> *I think they are reluctant to open up their inner sanctum; they worry that perhaps they will be exposed, and they worry that the contribution won't be sufficient. They don't necessarily want a lot of accountability, but some of them do and really look for that. (Jackie, 1)*

Jackie felt that the *'quality of the discussion'* in boards needs to be looked at, and that companies should think carefully about the capabilities and competencies they want from their directors. She saw a definite difference between the genders in terms of how they operate on boards:

> *Women tend to perhaps focus more on the maintenance of relationships, working relationships, and...tend to be more decisive...can be quite good mediators...and...focus on [the]implementation of decisions...men just sit around a board table and say, 'Right, we have agreed on that' without necessarily saying, 'Well now what?' (Jackie, 1)*

She suggested that women can be *'emotionally cognitive to what is going on around them, but not always'*, concluding that *'We need to be training men and women together on how to be effective decision makers and contributors to the board'. (Jackie, 1)*

Similar to Bruce, she saw the Chairman's role as being to generate an agenda (along with the CEO), and to ensure that everyone is included in the discussion and everyone's views are heard. She suggested that this can be hard for some chairmen, particularly those who have gone from being executive directors to Non-executive Chair: *'They might be slightly too operationally focused to enter the detail'*. Others are unable to assume the authority necessary to manage the discussion and drive the agenda forward. While some make the transition and *'learn to listen more and be constructively critical, others have difficulty with that'. (Jackie, 1)*

Jackie highlighted the crucial role played by non-executive directors on family boards, arguing that:

> *...you need a minimum of three external non-executive directors on the board because if you have two it could split the group but if you have three you are more likely to have richer discussions and more balanced debate....a single non-executive goes on the board and their voice isn't heard.. (Jackie, 1)*

She does not feel that it is their role to manage internal conflict, though many non-executive s *'get roped in by one side of one branch of the family, particularly if there is conflict...sometimes they get wrapped up in family conflict and that can be very, very dangerous' (Jackie, 1)*. Instead, she suggested that external consultants can help families to communicate more effectively and make better decisions.

Jackie recommended that non-executive s should be recruited against a *'strategic leadership profile'* and that firms should employ professional recruiters to get a broader spectrum of candidates, rather than relying on personal networks. She opposes non-executive directors having shares on the grounds that this is a conflict of interest. She also advised that there should be a regular turnover of non-executive s (both family and non-family), with no one serving more than nine years, in order to stimulate new thinking and fresh ideas.

She observed that many companies still do not really understand how to use non-executives:

> *I think that the role of non-executive director, a lot of education is needed on that. People have likened non-executive directors to bidets; they sit in the corner and look nice but really nobody knows what they are meant to be doing! They are like Christmas baubles; they look very pretty but they don't serve a purpose. Their role is meant to be constructively critical and I think that any family business that is going into this needs to be very well educated on what these roles are for, so adaptations can be mapped.*

She suggested that companies should conduct annual Board Effectiveness Reviews, as recommended by the Government's Code for Private Companies. She remembered a case where *'it took us about ten years to convince a very, very mature family business board, comprised of both external and internal people, to conduct a Board Effectiveness Review'. (Jackie, 1)*

4.14.1 Key elements of the three consultants

- Each business needs to be aware of their right and responsibilities as a director
- Each business knows and/or needs to know when it needs a board
- Education and skills are key
- Clear structure, roles and rules are needed (i.e. regular meetings, processes)
- Open communication and dynamics/subgroups need to be addressed
- It is advisable to conduct board evaluation/review/360 degree feedback
- Non-executive s are crucial for a board
- Trust is very important between directors
- The legal implications have changed and directors are more aware nowadays than previously

4.15 Conclusion

Chapter 4 provides the descriptive, narrative data necessary process, which has sought to set the foundations for the subsequent analysis in Chapter 5. Within itself chapter 4, using directors' narratives contributed to two objectives of the thesis; evidencing of the existence of different types of boards and identify the various roles played by boards of directors in UK SMFBs. They show how these directors see themselves and the role of their board and, where relevant, how they their family and the role of their family. Each case is individually summarized in Appendix N.

In case 1, the board was run very strictly with clearly defined roles, rules and agendas. The directors, who were aware of their legal responsibility, were heavily influenced by their previous board backgrounds. The business was a key factor in holding the family together. The board had a non-family executive; the directors were aware that subgroups were present on the board. This board disbanded while the research was being conducted.

In case 2, there is no official board but everyone involved has a clear role. There is an annual meeting between the accountant and the directors. The MD, who has no formal training or experience, has learnt how to be a director from his father, who initially provided much support. The business is there to create family wealth and employs all of the brothers to varying degrees.

In case 3, the board, which is new, is run very formally with rules and agendas. The directors are aware that if the aims of the founder and the business diverge, this will need to be addressed. The board is constantly evolving as each director finds their role; two of the directors are completing in-depth IOD courses.

In case 4, there are regular, unofficial meetings but no official board. The directors have some awareness of their legal rights and responsibilities. They use their accountant for information and as a neutral voice. Roles are clearly demarcated, with two of the brothers sharing the central decision-making role. They see no value in having a board as their current strategy has been successful and they are not willing to let anyone else into the business. However, they are keenly aware that g3 might have other aims and are growing the business for family wealth by diversifying their business portfolio.

In case 5, there is some awareness of legal responsibilities. Their current board meetings are proving less efficient than previously, as one director has left, leaving a less 'challenging atmosphere'. The directors want to achieve the same board value without incurring financial costs and are using associates to supplement the board. They feel this is providing an effective arena for debating ideas informally.

In case 6, all family members are educated to degree level but none have formal board training. Despite this, a strong family subgroup rules the board. They have regular, structured board meetings with clear roles. They described their aims as being to employ family members and to offer a life choice for the family.

In case 7, while the directors have no formal or legal training, they have regular board meetings with clearly defined roles and agendas. Apart from the husband and wife team, other directors appear to be disinterested or more operational than strategic.

In case 8, the SMFB has used an outside coach to improve governance. They have gone from holding informal meetings to having regular, strategic board meetings attended by family members only. However, the directors have no formal legal or director training, and subgroups exist within the family. Their business exists to employ family members and to service their lifestyle.

The consultants described a range of SMFB boards and helped highlight the discrepancy between the legal expectations and praxis of boards. The rights and responsibilities of directors have changed; all the consultants suggested that directors' awareness needs to be raised and that more education and training needs to be made available. They pointed out that while a clear structure, roles and rules are essential (i.e. regular meetings, processes), businesses will know if and when they need a board. A board should not be forced upon an SMFB if it is not ready. The consultants stated that trust between directors is very important and that board evaluations and non-executives are helpful, sometimes crucial, to SMFBs. The whole board must be able to communicate openly about business and family issues and to address the dynamics and subgroups within the board.

This chapter presents the empirical data and elements for the analysis of the role of boards and the particularities and significance of certain roles. The in-depth cross-case analysis in Chapter 5 gives further insight by presenting rich analysis into the formal and informal roles played by the directors in the case companies and those elements inside and outside the boardroom which influence how SMFBs are run.

5 Chapter 5 – Analysis and Discussion

5.1 Introduction

This chapter presents an analysis of the 11 case studies (eight companies and three individual consultants) introduced in Chapter 4. Chapter 4 focuses on the first two objectives of the study, using the directors' narratives to confirm the existence of different types of board and to identify the various roles played by boards of directors in UK SMFBs. Chapter 5 builds on this through the analysis the cases further to achieve the study's remaining objectives: to investigate the formal and informal roles played by directors within the case companies and to create a family business board model. The chapter has been divided up into three sections. The first section summarizes each case in detail. The second takes the emerging themes and uses them to draw a number of cross-case comparisons, the results of which are then compared with the findings of previous research. In the final section, the study findings are used to construct a theoretical model which may be of use to both academics and practitioners.

5.2 Summary of individual cases

The cases were selected to show the variety of boards which can be found in SME family businesses. Each case had at least two directors, but these all had different ways of working. The results suggest that in each case, the governance structure was determined by the aims of the company (e.g. growth, ultimate sale or to keep the family employed) rather than size. The summary presented in Table 5.1 is intended to help guide the reader through the following section. More in-depth information on each case can be found in the comparative overview table (Table 4.1) in the previous chapter.

Table 5.1 Rationale underlying choice of case companies

Case	Name	Reason for selection	Most memorable point
1	Rhubarb Buses	A board run according to FTSE100 ideas with the business ties holding the family together.	Board has been disbanded.
2	Motor-homes	A companies house 'board' which in reality is the MD deciding what he wants to do with his father's guidance.	MD wanted to start his own company.
3	Mountain Dew	A newly formed board where each member is finding their role and the founder's family do not want to be involved.	Business existed over 30 years without a board.
4	Paperclip	In a company of this size, a board might be useful. However, strong family ties mean they have been successful until now, so why change?	Outsiders are not welcome – cultural and language barriers exist.
5	Sunshine Consult-ing	A successful board, but disbanded during research. Non-family members no longer have a traditional board; instead, they want to get strategic input from key employees as required.	Sunday board meetings in front of the TV – if the scores are bad, so might be the reaction.
6	Smith Furniture	A board dominated by the third generation girls, their husbands and father –a stereotypical family business with nepotism, employee age bubble and succession planning.	Bloodline is stronger than anything else: *'We look after our own, shares will only pass to*

			bloodline'.
7	Logistics	A functioning board dominated by a husband and wife team. Basic structures but other directors lack the skills, knowledge and ability for it to be a strategic board.	Sold business which is now non-existent.
8	Electrical	A g2 board in the process of being developed and strengthened with education and skills.	*'The outside perspective helped us see we are not as open with each other and aware as we thought'*.

5.3 Thematic cross-case analysis

The themes that emerged from the individual cases formed the framework for the cross-case analysis, which in turn allowed the identification of a number of discussion points as shown in Table 5.2 Thematic cross-case analysis - Emergent themes from cases. These are explored in the following subsections. The challenges facing family, business and board have been combined as together, they represent the context within which each company is located and are grounded in the initial guiding concepts in Chapter 2 (see Section 2.7).

Table 5.2 Thematic cross-case analysis - Emergent themes from cases

Emergent themes from cases	**Summary of individual cases**	**Discussion points (Comparing cases: see section 5.4 onwards)**
Board	5.4 Board	5.4.1The spectrum of family business boards Legal responsibility and board structure 5.4.3 Board composition (formal roles)
Individual - Team	5.5 Individual - Team	5.5.1 Family run, family owned and family controlled
	5.6 Aims of the board	5.6.1 Conflicting aims 5.6.2 The effect of family stage
Diversity Non-executive	5.7 Diversity	5.7.1 How diversity affects board composition 5.7.2 How education, experience and awareness affect a director's perspective
Women		
Why FB?	5.8 Why is it a family business?	Attitudes to family business brand
Family closeness	5.9 Family closeness	5.9.1 Family relationships (Informal roles)
Goal of FB	5.10 How decisions can be achieved	5.10.1 Meetings and agendas 5.10.2 Ratifying boards or discussion boards

5.4 Board

5.4.1 The spectrum of family business boards

The sample covered a range of boards, characterised in Table 5.2 The spectrum of family business boards). It should be noted that although an individual director may take a leading role if the topic of discussion falls within their particular area of expertise (see agenda and meeting notes), this does not , change the overall character of the board.

Table 5.2 The spectrum of family business boards

Case	Phantom	Rubber Stamp	Minimal Review	Nominal Participation	Active Participation	Catalyst
	Never knows what to do, if anything; no degree of involvement	Permits officers to make all decisions. It votes as the officers recommend on action issues.	Formally reviews selected issues that officers bring to its attention.	Involved to a degree in the performance or review of selected key decisions, indicators, or programs of management.	Approves, questions, and makes final decisions on mission, strategy, policies and objectives. Performs fiscal and management audits.	Takes the leading role in establishing and modifying the mission, objectives, strategy, and policies. It has a very active strategy committee.
1					**Rhubarb Buses**	
2	**Motorhomes**					
3					**Mountain Dew**	
4		**Paperclip**				
5		**Sunshine Consulting**				
6			**Smith Furniture**			
7				**Logistics**		
8				**Electrical**		

Source: Wheelen and Hunger, 1994, cited in Poutziouris et al., 2006:328

The analysis for the spectrum of family business boards (Table 5.3) was based on individual perceptions of the board as well as the direct questioning of where do you see your board by different directors towards the end of the interview once rapport had been built up. Several criteria were used in this analysis including the interviewees own direct opinions and the impression they gave the researcher which included how they spoke about themselves, their influence before, during and after meetings and their impression of other directors. Therefore the results are drawn from direct quotes, impressions and discussions to reach the classifications which in line with the methodology of bootstrapping was refined as the interview process continued. In summary, boards are found at the both ends of the spectrum from little board involvement to centralised power. However the majority of the boards seem to be having some form of debate and interaction and are in the central part of the spectrum. None of the boards thought themselves a catalyst board, and the researcher did not perceive this either that any of the boards where leading in the mission, objectives or strategy. In each case, the families overall mission and objectives prevailed, and while there was active participation, to varying degrees in those that had outside directors, the families still had ultimate decision both as directors, family members and in some cases shareholders.

5.4.2 Legal responsibility and board structure

Authors suggest boards may be crucial because they add value (Coulson-Thomas, 2007; Neville 2011) Previous research suggests that the board of directors is one of the most important factors influencing a firm's behaviour (Pearce and Zahra, 1992; Johnson et al., 1996; Forbes and Milliken, 1999) and is more decisive than in smaller family firms (Castaldi and Wortman 1984, Nash 1988, Ward and Handy 1988, Ward 1992). It is not just the 'head of the fish' (Barrett, 2003,) – it is legally responsible for the company's activities (Companies Act 2006). It has been argued that the function of the board of directors is even more decisive in family businesses (Castaldi and Wortman, 1984; Nash, 1988; Ward, 1992; Corbetta and Tomaselli, 1996), where the roles of ownership, directorship and management generally overlap. The board of directors plays a unique role in these businesses, mitigating the effects of concentrated ownership and balancing the owners' interests with the aims of the business (Huse, 2000; Corbetta and Salvato, 2004; Lipman and Lipman, 2006; Astrachan et al., 2006, Merson, 2004) It is perhaps not surprising then that the directors in the case companies had mixed views about the benefits and disadvantages of having a board, irrespective of their legal responsibilities.

Table 5.3 Perceived benefits and disadvantages of boards (opinions aggregated to protect directors' anonymity)

Perceived benefits of board	Perceived disadvantages of board
• networking • mutual support • membership (not alone) • diverse /alternative opinions • shared experience to build future and long-term goals • challenging previous ideas to promote change • increased financial performance • better company strategy • improved governance structure and explicit roles • improved communication • improved skills	• cannot just make a decision – have to discuss everything and run it by the board • giving up control • loss of face • worry of others doing it right/wrong • letting someone into the business/ board • resistant to change • no perceived value in having a board

Directors' roles and responsibilities are clearly defined in the UK in the Companies Act 2006, but this study's findings suggest that directors in family businesses are not always aware of these responsibilities. Family businesses can actually impose additional responsibilities upon directors that go beyond the usual strategic function; for example, they may find themselves mediating between warring family factions (Lansberg, 1999). Moreover, the shareholders who elect directors in FBs are not the anonymous mass of dispersed investors who buy stock fractions in public companies, but colleagues, relatives or friends who may hold directors personally accountable.

Although they are all subject to the same legal requirements, the case companies have opted to structure their boards in a variety of ways. There are examples of the range of boards identified within the spectrum of family business boards (from phantom to catalyst), but the nature of each of the boards is primarily determined by the combination of personalities it contains. Not only do these personalities all have their own aims and interests, but board dynamics are further impacted at times by individual ego and the relative financial and social status of individual directors. The evidence from the case companies and the consultants demonstrates that these boards are constantly developing. As has been argued in the literature, these directors are aware that companies require different skills, strategies and expertise at different points in their life cycle. The argument put forward by Lynall et al. (2003), that boards are subject to path dependency and board composition is therefore likely to persist over time, is not supported by the findings from the case companies.

The literature suggests that as companies increase in size, the structure of the board becomes more complex and firmly set, which was not supported by the findings of this study. A number of authors recommend that where a large number of family members have an interest in the company, they should appoint a family council or choose representatives to sit on the board. Unfortunately, none of the case companies have a family council, which are generally from the fourth generation due to the dispersed ownership, so it was not possible to examine the impact this might have on board structure and director relationships.

However, one could also argue whether SMEs comply with regulations such as the companies act 2006. Kagan and Scholz (1984) identified different stereotypes of business firms and their likely responses to regulation and enforcement. They suggest 'Amoral calculator' firms are 'motivated entirely by profit-seeking'. They will disobey 'when the anticipated fine and probability of being caught are small in relation to the profits to be garnered' (Kagan and Scholz 1984: 67). Further, they suggest these sort of companies will comply if the costs of non-compliance outweigh the gains. In comparison, 'political citizen' firms are 'ordinarily inclined to comply with the law, partly because of belief in the rule of law, partly as a matter of long-term self-interest' (Kagan and Scholz 1984: 67). It is suggested that generally they respond well to education, persuasion and guidance towards compliance. A third stereotype, businesses that might want to obey the law but are 'organizationally incompetent' to do so, recognizes that it is not just motivations that are important for compliance but also ability and capacity. Further, Winter and May (2001; see also May 2005) suggest there are three priorities that motivate firms to be compliant. These are Economic (material) motivations: the extent to which the firm is committed to maximizing it's own economic or material utility; Social motivations: the extent to which the firm is committed to earning the approval and respect of others and; Normative motivations: the extent to which the firm is committed to obeying the law (in general) for its own sake and the relevant regulatory regime (in particular) because it sees it as legitimate. The data shows further evidence that some companies are not compliant, however stops short of identifying the reasoning.

5.4.3 Board composition (formal roles)

Table 5.14 shows the range of formal roles represented in the sample of interviewees. These roles may have influenced these interviewees' perceptions and opinions (see section 6.5 for more implications). In Case 1, all the board members were interviewed. However, it became evident that this kind of blanket coverage was unnecessary; it was possible to gather adequate data about board administration, dynamics, strategy and communication by interviewing one or two directors from each case.

Table 5.4 Formal role spread

Director (Founder/g1)	Director (g2)	Director (g3)	Non-Exec Director	Non-Family Director	Chairman	Company Secretary
Case 5 Sunshine Consulting	Case 2 Motorhomes	Case 6 Smith Furniture		Case 3 Mountain Dew (*)	Case 1 Rhubarb Buses (father) (+)	Case 8 Logistics
Case 1 Rhubarb Buses (joint founder) (+)	Case 4 Paperclip		Case 1 Rhubarb Buses (+)	Case 1 Rhubarb Buses	Case 9 Lionel	
				Case 4 Paperclip (considered family but not blood relation)		

Key: *=formal board education, + = previous/other board experience

A spread of roles was identified during the analysis, from founders, g2 and g3 directors to non-executives, non-family members and company secretaries. In an academic literature dominated by statistical data, those who fill these roles have not always been given a voice. Similar to Coulson-Thomas (2007) and Berry and Perrin (2001) only a few companies employed non-executive directors, most of whom were owners and/or relatives.

Non-executive directors and non-family directors have been defined in different ways by different scholars (see 2.5.1). Higgs (1992) and Cadbury (1992) argued that adding non-executives to the board ensures objectivity, but the case studies show that some families do not want this. Their priority is to employ family members (Paperclips, Smith Furniture, Motorhomes) and keep the business within the family. Rhubarb Buses brought in a non-family member only as a token gesture. All of the directors in this company, apart from the MD, described themselves as non-executives, even though they are shareholders who helped fund the start-up with the intention of selling the business in 5-10 years. This might call into question their ability to be impartial and objective, and their commitment to the long-term future of the firm. The weakness of the non-executive's position in family firms was underscored by the non-family directors from Case 1 and Case 3 and by Lionel. These directors were all aware that they had limited influence in the face of the family agenda: *'In the end, it's his company'* (Mountain Dew), *'In the end, they are family, I'm not'* (Rhubarb Buses).

The Chairman's role is to oversee meetings and generally bind everyone together. When, as in the case of Mountain Dew (Case 3), the Chairman is also the sole shareholder, the overlap of roles can create problems for other directors. The MD of Mountain Dew expressed frustration at the

Chairman's reluctance to relinquish control, although he did suggest that the situation is slowly improving.

Gaining detailed information about the board has been noted as difficult. Unlike, Huse (1998), who recorded his experiences over a 15 month period as the non-executive chairman of three small companies, this research used semi-structured interviews. Huse (1998) states the companies, one of which was a family business, were in three different sectors (it is unclear whether he became chairman in order to pursue his research or started as chairman and then considered the research). As chairman, he attended between 7 and 16 board meetings a year. On top of this he made between 24 and 53 phone calls to the management in the three companies. In total, he made contact with the non-family businesses 21 and 23 times and with the family business 75 times via phone, email and meetings. He concluded that: 'The work of the board goes on outside as well as inside the boardroom. There is an ongoing dialogue, not just among the directors but also between the directors and the management; the discussion extends to a large number of internal and external stakeholders' (p.221). While Huse (1998) was able to gain deeper, in-depth understanding of the external board communications, the board's interviews only alluded to this. The cases also demonstrated that discussions outside the boardroom also impacted on the agenda and decisions. This echoes also Coulson-Thomas (2007) who found that 'original thinking' happened outside the boardroom - on the telephone, in the evenings and at weekends, with some attaching more weight to close friends than to the opinions of fellow directors.

Table 5.5 Summary of overall communication

Case	Name	Extra Board communications
1	Rhubarb Buses	We speak weekly on the phone' (MD and Chairman) We live together, so the business comes up a lot (FD and Chairman)
2	Motorhomes	I talk daily to my brother, and initially a lot to my Dad – this has got less (MD)
3	Mountain Dew	We communicate about day to day events, but board business stays in the boardroom (MD and OP)
4	Paperclip	We speak every day, either in the office or we are on the phone, even our wives complain how much we talk. We discuss everything all the time (Both interviewees)
5	Sunshine Consulting	While we live together, my husband travels a lot, we communicate multiple times daily about all business aspects.
6	Smith Furniture	We communicate daily about business related things, but boardroom items are generally only discussed when we have our finance director. (FD)
7	Logistics	We live together and communicate often about board related activities, normally before board meetings in the car on the way there we discuss our points (FD)
8	Electrical	We have tried to become more disciplined but we often find ourselves discussing strategy or new ideas at family events (MD)

The different communication shows that Directors in SMFB appear to communicate inside and outside the boardroom. This could be due to the fact that in many cases the directors are also shareholders. Shareholders generally would only have access to information at the annual general meeting, but in the case of SMFBs similar to SME's the communications range from daily to frequently. While legally directors have a duty of care to the company, there is no prescribed amount of communication.

Further, under the Companies Act 2006, the Company Secretary has the same legal accountability as directors. The Company Secretary in Case 7 also described herself as the HR Director but was fully aware of her Company Secretary duties, though she also voted and discussed as a director, which is outside of the role of a company secretary. Vinten (1992) looked at the formal role of Company Secretaries in terms of their duty to report malpractice but concluded company secretaries fear the lesser of the two evils, exclusion from the board or sacking, if they speak out. These findings differ to these found at the Company Secretary's formal role could be considered mixed as she behaves as a director and also has a family as well as shareholder presence.

Having formal roles such a Chairman, Company Secretary and different types of directors helps structure in business and follows the idea of hierarchy. Currently, neither the law nor researchers have offered any alternatives to boards as a means of governance, but they have suggested some ways in which the basic principle of governance might be extended or modified to accommodate the special needs of family businesses. Lester and Cannella (2006) created a theoretical framework for family businesses in which they argued that family controlled businesses bear additional agency costs because of their organizational structure. They suggested building and maintaining community-level social capital by interlocking family business boards (for example, two companies share one or more directors) and creating a network of family business boards to share knowledge, principles and strategies for addressing the problems unique to family businesses. The idea, which seems to have its origins in network theory, offers family business directors the chance not only to learn how other boards operate, but also to experience what it is like to play the non-family/non-executive role.

5.5 Individual - Team roles on the board

Boards may contain various subgroups, based on a variety of phenomena, human and non-human reasons. These can be husband/wife teams or sibling partnerships, or they may be split along family/non-family lines. If these subgroups have conflicting aims, this can affect the dynamics and operation of the board as whole. There were a range of subgroups within most of the boards in the sample.

Table 5.6 Identified subgroups

Case	Name	Subgroups
1	Rhubarb Buses	Husband and wife versus son and non executive Father and son versus wife Family versus non-executive (non-family)
2	Motorhomes	No internal subgroups Father and son versus outside world
3	Mountain Dew	Non-family executives against family/owner
4	Paperclip	Two brothers versus one brother One brother versus dad (slightly) Brothers versus other family shareholder
5	Sunshine Consulting	Non-family director versus family
6	Smith Furniture	Non-family financial manager versus family Daughters versus father Husbands versus family
7	Logistics	Non-family versus family
8	Electrical	G2 versus G1 or G3 Grandfather and brother versus mother and son

Within the case study boards, teams and alliances are formed and dissolved as required, depending on the issue before the board. Table 5.6 Identified subgroups gives an overview of different subgroups. It should be noted that this research only covers g1, g2 and g3 companies. Older (g4+) SMFBs may have larger boards which are more likely to contain more complex subgroups. Alderfer (1988) identifies the potential drawbacks of subgroups, while admitting that they are inevitable: '...pretending that subgroups do not exist is unrealistic because they are a fact of life in groups. Members have to maintain the line between constructive diversity of interests and destructive divisiveness' (Alderfer, 1988:252).

5.5.1 Family run, family owned and family controlled

While family businesses have been defined in several ways, research used the EU definition (see section 2.2.3). However, the family business concept can be further defined in several ways. Family business researchers have subdivided family businesses into family run (FR), family owned (FO) and family controlled (FC). Table 5.7 shows how the case companies fit within these three categories and identifies their generational stage.

Table 5.7 Case companies by type and generational stage

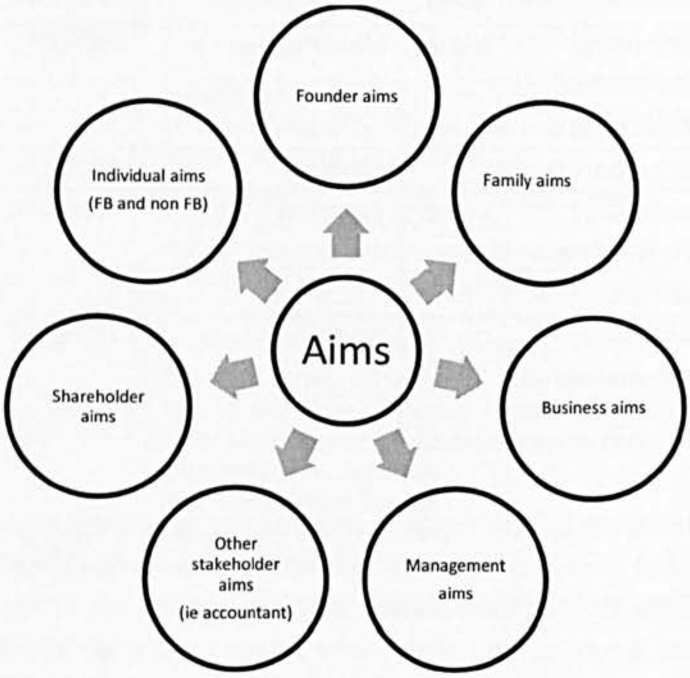
Generation	Family Stage	Case	Type of FB
g1 Husband and wife	Controlling owner stage	Sunshine Consulting	FR,FO, FC
		Logistics	FR,FO, FC
g1	Controlling owner stage	Mountain Dew	FR,FO, FC
g2 (g1 on board/startup)	Controlling owner stage	Rhubarb Buses	FR,FO, FC
	Controlling owner stage/sibling partnership	Motorhomes	FR,FO, FC
	Sibling partnership	Paperclip	FR,FO, FC
g2 (g3 early transitioning)	Controlling owner stage/sibling partnership	Electrical	FR,FO, FC
g2 (g3 mid transitioning)	Controlling owner stage/sibling partnership	Smith Furniture	FR,FO, FC

Table 5.7 shows that although they vary in size and sector, the case companies are all family run (FR), family owned (FO) and family controlled (FC) which fits within the EU definition of a family business. The findings of the current study suggest that it is not the size of the organization that determines how the board is run, as firms at the same generational stage and of similar size have different types of board. Case Paperclip and Case Furniture, for example, are similar in terms of size and turnover, but while Paperclip lacks a traditional board and is run by a subgroup of brothers, Smith Furniture has structured board meetings with sisters, husbands and non-family subgroups. Similarly, despite Case Electric and Furniture being the same generation, their board is determined by the number of children. Case Furniture has all three daughters on the board, while Electric has their only son on the board. This influences both the composition and dynamics of the board. The findings add to the body of evidence supporting Corbetta and Salvato's (2004) argument that no one board model will suit all companies. Family stage is further developed in section 5.6.2 The effect of family stage, where it is linked to the aims of the board.

5.6 Aims of the board

Most previous board research has used input-output models (Bezemer et al., 2013 and 1.3 Previous board research: an overview) which assume that the sole aim of any business is to achieve financial returns for its shareholders. However, researchers in family firms have argued that family businesses may also be driven by non-commercial objectives. This was true in the case companies: Rhubarb Buses, Sunshine Consulting and Logistics all said one of their aims is to foster family harmony; Smith Furniture and Electric want to provide family employment; while Paperclip and Smith Furniture want to maintain the family legacy/name. For these companies, these aims are at least as important as financial profit. Emotional ties to other family members, employees or the business (Fakoussa and Collins, 2012) may also influence directors' judgements and rank alongside company performance in terms of importance. This co-existence of commercial and non-commercial objectives, along with their less formal management strategies, are two of the things that distinguish family owned from non-family owned businesses .Figure 5.1 shows the range of stakeholder aims identified in the case companies.

Figure 5.1 Multiple aims of family businesses



5.6.1 Conflicting aims

The Companies Act 2006 requires conflicts of interest to be declared, but conflicting aims may be harder to detect in SMFBs, especially if they are not financial in nature. Conflict between business and family aims – or between the family and ownership subgroups (Tagiuri and Davis, 1982) – may affect the dynamics on the board. The problems may be further compounded by clashing egos or personalities. The potential for damage may be illustrated by reference to Case 6. In this case, the fact that only those in the Smith bloodline may own shares in Smith Furniture makes the business especially vulnerable if individual family members decide to pursue their own agendas. There is also the risk that the aunt's children, who are currently not in the business, may decide they want to go into the business or inherit shares. The family's aim is to create jobs for all bloodline family members, but this aim is one with which employees might find it hard to identify and an outside dominated board might struggle to support. Harris et al (1994) consider this means that family businesses use different strategies, this might be argued could be due to their differing aims. Indeed, numerous scholars have commented that boards are inherently incompatible with FB aims and that following best practice can in fact have negative consequences for family businesses. Given this potential for conflict, we might ask whether it is in the best interest of SMFBs to have a structured board.

5.6.2 The effect of family stage

As a family business moves from one developmental stage into the next, the business, family and ownership structure must adapt accordingly. Along the way, its aims may also change. The case companies are all family run (FR), family owned (FO) and family controlled (FC) businesses. Most are either first generation (controlling owner) or second generation (sibling partnership). There were no fourth generation businesses, which appears to bear out the claim made in the literature that only 33% of family businesses survive to this stage (Ward, 2005). Directors' aims are likely to vary depending on which stage their business is at: while founders might be trying to survive the initial years, create processes and generate an income, second generation directors are more likely to be more concerned with changing and expanding the business.

During the controlling owner stage (g1), the majority shareholding and control of the company tends to reside with the founder. Those who have supported the company in its early days might be rewarded with a directorship or shares, but the majority of shares stay with the founder. Other directors might be listed, but it is essentially his vision and emotional attachment that drives the company, and the board may be expected to do little more than rubber stamp his decisions. Founders often turn to close family members and their spouse for advice. In these circumstances, if the founder ignores the decision-making process and the (possibly valuable) opinions of his directors, the board serves little purpose in practical terms. At the time of the fieldwork, Case 3 (Mountain Dew) was in the process of making the transition from this kind of rubber stamp board to a more collaborative model. The two new directors were aware that the situation needed careful management and they practised a form of self-censorship in terms of which issues they brought into the boardroom; both they and the founder saw the process as one of adjustment and trust building.

In second generation businesses, children either work their way up (Case 8 – Electric) or go straight into a managerial position (Case 6 – Smith Furniture). In the typical family construct, siblings grow up together, sharing the values and vision of their parents. Conflict can occur if siblings try to implement too many changes or if members of g1 are unable or unwilling to let them implement their ideas. Ward (2005) suggests that siblings either seek to avoid conflict or actively look for it. In all of the relevant case companies, the siblings said there is sometimes conflict, but that it is not serious or long term.

By this stage, the family (which may have sole control of the board) may want to do more than just provide employment and a lifestyle for family members. Its aims may have extended to include providing employment for the local community or acting philanthropically. However, these aims may conflict with the strategic decisions being made by the board. While independent directors may have valuable views to offer, lack of trust from family members and their minority status on the board may mean they go unheard. Further conflict and confusion can arise when boardroom decisions are overturned by g1, or if g2 have a change of heart. Lack of strategic direction can leave management without the guidance they need, with knock-on effects on productivity and the day-to-day running of the business. Ultimately, this affects the value of the business, including the family shareholding.

When a family business remains in the family for the third generation it is said to be in the cousin consortium stage (Davis, 2006a; Gersik et al., 1997). At this stage, two or more cousins work together or share ownership. However, although this study contains companies where the third generation is working, neither is currently a cousin consortium. Preparations were being made for g3 takeover in Case 8 (Electric), but control is due to remain with the direct line (passing from daughter to grandson) and for eventually g3 to take over in Case 6 (Furniture). Both of these companies in the next generation could develop into a cousin consortium. Businesses in the cousin consortium stage may need to review their board processes: it may not be possible for family members to sit on the board unless they have business skills or a track record of involvement in the company; and divorce or death might have diversified shareholdings, broadening the company's aims and decentralizing decision making. Both family and non-family directors may have to spend more time peacekeeping or mediating between factions than they would in a g2 firm. Examination of the kind of governance arrangements required in g3 companies is beyond the scope of this study.

5.7 Diversity on boards – The reality

Boards should seek to appoint directors who complement and challenge each other and who collectively bring a range of perspectives and skills to the table. This is more likely to be accomplished by encouraging diversity within the board in terms of directors' age, education, experience, gender and – most especially – insider/outsider status. Several authors (e.g. Gersick et. al., 1997; Lansberg, 1999; Ward, 1991; Hess, 2007; Lane et al, 2006) have argued that boards that lack such diversity are inclined to have a narrow focus of interest with regard to strategy, finance or risk.

5.7.1 Resistance to diversity

Alderfer (1988) and Voordeckers et al. (2007) claim that research on board composition in family businesses has been preoccupied with the traditional distinction between inside and outside boards and has largely ignored the unique dynamics of family businesses. Accordingly, Voordeckers et al. (2007) distinguish between family boards, inside boards and outside boards. Schwartz and Barnes (1991) go further, differentiating between all-family boards, family-management boards containing at least one family member and at least one representative of the management, and quasi-boards with at least one professional or retired company executive alongside family and manager-directors. Coulson-Thomas, (2007) identified that a fairly representative view was 'an effective board requires time and resources to establish, these findings were echoed in this study. Further, this study echoes his findings that founder entrepreneurs liked to take the 'key decisions' themselves, and there appeared to be some instinctive reluctance to 'being constrained' by a board. In parts, cases also suggested the perception that a functioning board was 'for larger companies' and an unnecessary 'overhead cost' for an SME.

The general consensus in the 'best practice' literature is that in a family business, a board that includes independent, non-family directors is likely to contribute positively to the value creation process, as long as the values and aims of the family and the company are aligned (Coutts, 2011; IOD, 2011). This was supported by the consultants, who all agreed that boards should be composed of a combination of family, management and outsiders, since diversity, whether it be family/non-family or gender diversity, broadens the board's skills base and opens up its horizons (Gersick et. al., 1997; Lansberg, 1999; Ward, 1991; Hess, 2007). Outside directors bring new networks and contacts into the family business which can help to build social capital. Lansberg's (1999) suggestion that they may also facilitate communication between older and younger family members was borne out by the non-executive interviewees, all of whom commented on the peace-making aspect of their role.

However, despite the general consensus among researchers (and the three consultants interviewed in this study) that family boards benefit from having an outside perspective, very few of the case companies wanted a non-family board member. Many families are reluctant to appoint outsiders because they fear giving away family secrets or control, or see appointing an outside director as tantamount to admitting that they cannot handle matters themselves (Coutts, 2011). This was the view in most of the case companies, especially Paperclip (Case 4), whose directors insisted that the company is too small to need external help (it may be significant that their previous experiences with help from outsiders have not been positive). Motorhomes (Case 2) also saw no point in recruiting an outsider, while Sunshine Consulting (Case 5) and Electric (Case 8) both understood the value of external directors but preferred to use coaches and think-tanks instead. Logistics (Case 7) had external directors but felt they added no value to the board.

The resistance to outsiders is compounded by the fact that family members often regard a place on the board as their birth right. This was evident in a number of the case companies, including Smith Furniture (Case 6), where all three daughters sit on the board, despite their basic lack of board skills. In contrast, researchers have generally taken the view that both family and non-family directors must earn their seats (Miller and Le Breton-Miller, 2005; Aronoff and Ward, 1997; Danco and Jonovic, 1981). Researchers have identified a list of skills they see as necessary for a family business director (see discussion in 2.5.2), and Lansberg (1999: 293, 294) suggests that it is also desirable for him or her to have networking contacts and knowledge of how the succession process has worked in other family businesses at comparable stages of development. The only case company to have appointed an external director specifically for this purpose was Rhubarb Buses (Case 1), though Mountain Dew (Case 3) plans to recruit an external director to help broaden contacts and assist the development of the business. Views from the cases ranged from Sunshine (Case 5) and Electric (Case 8) identifying a non-family director as a useful resource but using a coach or a think-tank as a substitute for resource reasons. To case Paperclip (Case 4) and Motorhomes (Case 2) not seeing the value in recruiting non-family directors., to Logistics (Case 7) who have non family directors but identifying no added value.

Coulson-Thomas (2007b) identified that conduct rather than structure appears to be the key to directorial performance according to a continuing investigation of the behaviour of directors and boards). Aylward (2005) encountered more positive views, as did Gleason (2004) who reported that certain entrepreneurs believed their boards had been helpful at an earlier stage of business development. Knell (2006) considers the value added by a board to be an important aspect of corporate governance, while Charan (1998, 2005a) expresses the view that corporate governance should involve more than compliance and embrace a board's contribution to a company's competitive advantage.

From the outsiders' point of view, the chance to gain access to the boardroom may be a crucial motivating factor; senior executives excluded from the boardroom by the family are likely to become de-motivated and leave (Coutts, 2011). An open and transparent recruiting process is essential, not just to retain these staff but also to minimize the risk of directors being appointed through the old boys' network. However, although the interviewees expressed agreement with these principles, they are seldom implemented in practice in the case companies; Case Rhubarb showed some employees did not want to be on the board, while case Mountain Dew did have employees on their board. Non-family directors are not welcomed in Smith Furniture, Electric or Motorhomes, and they are actively avoided by Paperclip. Clearly, there is a resistance to allowing outsiders onto the board in these companies, even among those who understand their potential usefulness.

Mueller (1988) suggests that outside directors seeking access and acceptance must show sensitivity and good communication skills. It may take time for the family to learn to trust the director's abilities and they may still need reassurances that their business and family secrets will be protected through contracts and confidentiality agreements. The importance of trust was reiterated by family members in all the case companies, but it is beyond the scope of this research to examine this topic fully. Any potential candidate must also understand the culture and needs of the family and of the business; Ford (1988) suggests that outside directors with an inadequate understanding of the firm or family can actually obstruct board effectiveness. Finally, they must be clear about their authority over stakeholders, whose livelihood may depend on the success of the firm (*The Family Business Review*, 1989:141; Jonovic, 1988:129).

All of the case companies agreed that family business directors have a uniquely complex role. They must be able to work within the existing dynamic, share the family's vision and be flexible and sensitive. If they are to be of maximum benefit to the board, non-executive directors should be selected on the basis of their personal and professional background by means of a transparent recruitment process. The consultants argued that non-executive directorships should not be a 'birthright' or come through the 'old boys' network. This finding mirrors recent family business research, which suggests nepotism and the 'birth right' mentality can have negative effects on a family business (Sharma and Irving, 2006). However, while non-family/non executive directors may bring social capital into a family business, this research shows that in practice, these businesses are less likely to appoint independent directors.

5.7.2 How education, experience and awareness affect a director's perspective

The skills and experiences that individual directors bring to the decision-making process constitute the board's human capital. These may include industry knowledge and experience and/or previous experience in the MD role. Johnson et al. (2013) explain that this experience affects what directors pay attention to and how they frame decisions. This was reiterated in the current study; all of the consultants emphasized the importance of previous experience in shaping directors' attitudes and competences. The Operations Director of Mountain Dew argued that experienced directors are more likely to influence the board, perhaps pushing it to become more active. In contrast, a board lacking in experience is more likely to be a rubber stamp board (Smith Furniture). This study also echoes previous research in confirming the importance of education and experience for making directors aware of their roles and responsibilities; this was particularly evident in Case 6 (Smith Furniture) and Case 8 (Electric), where the directors lack this education and experience and have only a limited awareness of these roles and responsibilities.

It became evident during the interviews that the directors' language and emotions, and their perceptions of themselves and their board, were influenced by their education and experience. This was made evident in the way in which they described how they could influence the board and to what degree. For example: The chairman can influence the board by what he decides to include on the Agenda and by summarising arguments with bias as suggested by Chairman in Case Rhubarb , while the Operations director, Case mountain Dew, might argue based on their respective expertise thus influencing the board and creating more debate, resulting in nominal participation, active participation and catalyst type board behaviour. However, it is not clear which skills or experience might lead to less confrontation or debate on a board, resulting in a rubber stamp board similar to case furniture. The skills and experiences that individual directors bring to the decision-making process constitute the board's human capital. These may include industry knowledge and experience and/or previous experience in the MD role. Johnson et al. (2013) explain that this experience affects what directors pay attention to and how they frame decisions. This was reiterated in the current study; all of the consultants emphasized the importance of previous experience in shaping directors' attitudes and competences.
Johannisson and Huse (2000), conducted a qualitative analysis of the selection processes small family businesses use to find outside directors, argue that family, management and entrepreneurship constitute emotional and cognitive constructs associated with particular ideologies: *paternalism* (the family), *managerialism* (the management) and *entrepreneurialism* (the enterprise). While all of the case companies are affected by all three ideologies, the managerialist ideology is especially apparent in Case 1 (Rhubarb Buses) and Case 3 (Mountain Dew). This is in no small part due to the background of these companies' directors. While not specifically measuring board effectiveness, Bennett and Robson (2004) did not find a compelling link between a strong association of board size, board qualifications, or board structure with firm performance, measured by profitability, employment growth or propensity to innovate. This research showed that Directors qualifications had influence over the governance structure and how directors' responsibilities were viewed. The cases showed the operation of Rhubarb Buses is heavily influenced by the directors' experience in FTSE100 companies, while in Mountain Dew, the professional training of the directors is seen as integral to the formalization of board operations.

5.8 Why is it a family business: Attitudes to the family business brand

While the case companies are all family owned, run and controlled, the directors and families concerned, and fitted the EU definition of a family business ,theydiffer in the degree to which they see themselves as a family business. Not all of the case companies were keen to be classified as family businesses. The directors of Rhubarb Buses (Case 1), Sunshine Consulting (Case 5), Mountain Dew (Case 3) and Logistics (Case 7) all expressed concern that popular stereotypes surrounding family businesses (that they are small and unprofessional) mean they would not be taken seriously if they emphasized their family origins. On the other hand, the directors of Motorhomes (Case 2) and Smith Furniture (Case 6) are happy to proclaim the family values of their respective companies, as they believe that these enable them to offer superior customer service.

Table 5.8 Self-perceptions of being a family business

Case	Name	Shares ≥50% family owned	Promote themselves as FB	Individual attitude
1	Rhubarb Buses	Yes	To suit	MD happy to introduce father as Dad but as competitors are mainly large, non-family firms, only focuses on FB values when needed.
2	Motorhomes	Yes	Yes	Market themselves strongly as a family business with strong values i.e. having children and dogs in the yard, talking to customers at weekends.
3	Mountain Dew	Yes	No	Initially intended that daughter would take over but she refused; no emphasis put on family business after daughter decided to leave business.
4	Paperclip	Yes	To suit	Strong values embodied by family but not used to promote the business except for banking and negotiation, as competitors are mainly large organizations.
5	Sunshine Consulting	Yes	To suit	Family business values not promoted as felt not helpful in the industry.
6	Smith Furniture	Yes	Yes	Strong emphasis on being part of the 'Smith family', share ownership restricted to bloodline and embodying family values important.
7	Logistics	Yes	No	While the couple actively influence governance, externally branding themselves as a family firm did not appeal to them.
8	Electrical	Yes	Yes	Active in promoting FB and their values.

This mixed views echo academic ideas on the wide spread self-definition and academic definition of family businesses. For example they range from individuals opinions such as the chief executive, managing director or chairman regarded their company as being a family business (Hamlyn, 1994), to whether the majority of ordinary voting shares in the company were owned by members of the largest family group related by blood or marriage (Cromie et al., 1995) or whether the company had experienced an intergenerational ownership transition to a second or later generation of family members drawn from a single dominant family group owning the business (Churchill and Hatten, 1987). Westhead (1997) has suggested that the concept of a family firm is 'perception' (that is, owners view the enterprise as a family business) and 'majority share ownership by family members'. Westhead and Cowling (1998) suggest this choice of family firm definition can have an impact on the scale of 'target groups' for policy intervention. Therefore, while the cases have all been considered family businesses, they show that they might choose not to classify themselves as family businesses in some circumstances or according to some academic or policy definitions might not be classified as family businesses.

5.9 Family closeness

5.9.1 Family relationships (Informal roles)

This section looks at family relationships on boards. Table 5.9 Family dyads in the case company boards) gives an overview of the various family relationships in the case companies. This contributes to the third aim of the research: to examine formal and informal roles in SMFBs (as far as the author is aware, this is the first time board family dyads have been analysed in this way). The table illustrates that individuals play multiple infomal roles simultaneously in and outside of the boardroom. These family relationships influence the board, its significance and the directors' decision-making process, and is in direct contrast to non-family business boards.

Table 5.9 Family dyads in the case company boards

Dyads		
Husband and wife dyads	Parent – child dyads	Sibling dyads
Husband-Wife	Father-Son Father-Daughter Mother-Son	Brother – Brother Brother – Sister Sister – Sister

Table 5.10 Husband and wife dyads) Table 5.11 Parent-child dyads) and Table 5.12 Sibling dyads) illustrate the different family relationships in more detail and depth, before reflecting upon previous research.

Table 5.10 Husband and wife dyads

	Dyad Husband - Wife	
Case evidence	Case 5 Sunshine Consulting - Relationship strongly business focused – clear roles: she is the strategic driver and daily management; he takes care of finance and travels. While not invisible, she is arguably not visible for her achievements. She feels their relationship does not influence the board as it is able to argue constructively.	Case 7 Logistics - Relationship strongly business focused – clear roles: she is HR, organization, initial funding, finance and moral support; he is finance and overall strategy. She feels their relationship does influence the board as they stick together and pre-discuss agenda items. She feels she was initially seen as just the boss's wife but then went on to prove her own worth.

However, women in family businesses often feel invisible and that they are not viewed by others, within or outside the business, in the same way as men (Gillis-Donovan and Moynihan-Bradt, 1990; Hollander and Bukowitz, 1990; Nelton, 1986; Rodriquez-Cameron, 1989). This was the experience of the interviewee from Logistics (Case 7), who felt she was seen as 'just the wife' until she won acceptance for her own abilities. Researchers have shown this is often the case for female partners in husband-and-wife businesses (Hollander and Bukowitz, 1990; Nelton, 1986); it is assumed that women hold important positions only because they are married to the boss. Even if their credentials are equal to or better than their husband's, these women find other business people bypassing them and looking to their spouse for final decisions. Salganicoff (1990) blames women's invisibility in family businesses on prejudices in society and women's own limiting attitudes towards their potential and role – attitudes derived largely from the way they have been socialized (p. 136). Schoen and Weinick (1993) suggest that this could influence partner choice and decisions. While there is no direct research on husband and wife dyads on boards, it seems reasonable to suggest that these attitudes are being taken into the boardroom. The suggestion has been made in board literature that women are often appointed to boards as a token gesture towards diversity.

Table 5.11 Parent-child dyads

	Dyad Father - Son	
Case evidence	Case 1 Rhubarb Buses - Strained relationship pre-business, business issues have heightened the tension and deflected attention from actual issues. Both have to work hard to maintain the relationship – suggested it might have been different if the father had started the business. Mutual respect, but both have difficult and strong personalities. Are aware their relationship puts strain on the board.	Case 2 Motorhomes – Strong relationship. Son seeks advice when needed due to father's experience. Relationship affects board during annual accounts meetings as father supports son and coaches him through financial questions.
	Dyad Father -Daughter	
Case evidence	Case 3 Mountain Dew – Strained relationship but no influence on board as daughter left company and does not want to be involved.	Case 6 Smith Furniture – Strong father-daughter relationships including annual holidays. The daughter (g 3) feels she is influenced by father as he is the Chairman. She feels there has not been a situation where she has had to choose between her loyalty to her father and to her sisters, though at board meetings she will support her father. No voting happens, as the father decides.
	Dyad Mother - Son	
Case evidence	Case 8 Electric – Mother strongly supports her son but sees her role as predominantly mentoring so her son can take over the business. They are a close family unit, which influenced their choice of successor. She does not feel her relationship with her son influences board meetings, though recognizes that though they thought they were being honest, a coach has made them see that they were not.	Case 1 Rhubarb Buses – The son is grateful for the stepmother's support during the start-up but wants independence and feels no real emotional attachment. The stepmother has more confidence in her son and is willing to let go, having done all she can. She feels increasingly superfluous as he follows his own path. Neither feels that their relationship influences board meetings.

Father-son dyads have been looked at by numerous researchers, though mostly in relation to succession rather than board dynamics (Tagiuri and Davis, 1992; Dumas, 1989). These researchers have focused particularly on conflict and power struggles (Sharma, Grisman and Chua, 2003). Some suggest sons are expected to join the business while daughters are given a choice (Francis, 1999:xv). Davis (2006b) identified a spectrum of behaviours within the father-son relationship ranging from supportive to conflict. This spectrum was evident in the case companies: in Case 2, the father and son have a nurturing, supportive relationship, while in Case 1, every board member is aware of the tension between the father and son.

As the number of women in the workforce grows (Dumas, 1989; Salganicoff, 1990; Office of National Statistics, 2014), more daughters are finding their way into family businesses (Sexton and Bowman-Upton, 1990; Dumas, 1989; Salganicoff, 1990; Vera and Dean, 2005). Even so, Salganicoff (1990) found that only 27% of the 91 women in their study expected to enter the family business. Reasons for eventually joining the family business included wanting to help the family, filling a position that no other family member wanted and dissatisfaction with another job. Dumas (1989, 1990) suggests that in general, women do not plan a career in their family business, do not aspire to ownership and see their work as a job rather than a career. He also claims that daughters are often ignored as potential successors and are only forced into leadership following a crisis. Hollander and Bukowitz, (2002) agree suggesting women are in a double bind between conforming and not expected family role versus the expected business roles, as both carry penalties which inflcuenes successor choice. This is not the case in Smith Furniture (Case 6) or Electric (Case 8), where women are seen as acceptable successors. On a more positive note, Salganicoff (1990) concludes that women working in their family's business enjoy greater responsibility, higher incomes and more flexible work schedules. This was borne out by the daughters in Smith Furniture (Case 6), who cited flexible work schedules and higher responsibility as key plus points of working in the family business. This echoes Tausig and Fenwick's (2001) research that work-life balance is clearer defined and sought out.

The relative lack of women and their continuing invisibility in family businesses and boards is noted in the family business literature (Martin et al., 2008; Singh and Vinnicombe, 2004; Stephenson, 2004). It may explain why although there is some research on father-daughter relationships, there is as yet nothing specifically on father-daughter dyads on boards. Dumas (1989a, 1990) describes how a daughter's protective attitude towards her father may inhibit open discussion of succession plans – for example, she may be reluctant to bring up the subject of retirement for fear of wounding his pride and reminding him of his mortality. In the case of Smith Furniture, this protectiveness manifests itself in the daughters' refusal to openly challenge their father or ask him about shares. There is no such relationship in Case 3 (Mountain Dew) – the daughter has left the business.

While Hollander and Bukowitz (1990) suggest women tend to fall into a 'smothering kind of caretaking' (p. 142) to restore harmony, it was not possible to find any research on mother-son dyads in boardrooms. Succession research often depicts women as nurturers (Dumas, 1990); the mother-son dynamic is not affected by rivalry in the way the father-son dynamic often is. The mothers in Cases 1 and 8 are both keen to encourage and support their sons, but while the mother in Case 8 eventually admitted that her son influences her board decisions, the mother in Case 1 felt that while she was influenced she could separate the nurturing feelings from the business. .

Table 5.12 Sibling dyads

	Dyad Sister - Sister	
Case evidence	Case 6 Smith Furniture – All three sisters are on the board, live close to each other and take holidays together. All have been treated equally and been encouraged to get a degree and have families.	

	The director interviewed feels they have distinct roles but that blood runs thicker than externals and she would support her sisters if necessary, which influences their meetings.	
	Dyad Brother – Brother	
Case evidence	Case 4 Paperclip – Two of the brothers work closely together on a daily basis and the other two live together. Even so, they deny that there are any alliances or that their relationships influence meetings. Two of the brothers generally decide direction and ideas and then pitch these to the other family members.	
	Dyad Brother - Sister	
Case evidence	Case 8 Electric – The sister feels that their relationship has evolved, especially since the current focus is on consolidating the business and strengthening it for her son (g3). She feels the dynamic changed once the father left the boardroom, as her role became more stable and her brother and she found their roles. She feels her relationship with her brother may influence the board and is aware of her tendency to support her son.	

Perhaps for the reasons outlined above, sister-sister dyad research is also limited. Case 8, brother and sister dyad, was originally a stop-gap for both siblings when entering the business. There is much more research on the brother-brother dyad, specifically the power struggles between founders or in matters of succession. Fakoussa and Collins's (2012) study of Pakistani brothers in the UK suggests that even where ownership is equally distributed, the eldest brother may have more influence than his younger siblings because of his first-born status. However, in Case 4, while the eldest brother is respected, the younger siblings have a stronger influence on the running of the company. This is attributable both to their strong individual personalities and their combined strength as a subgroup. Barnes (1988) also suggested younger sons may face the unusual challenges in order to fit into the family business.

Brother-sister dyads have been examined, but not in relation to the board. Cole (1997) interviewed four sister-brother pairings in which the sister was invisible to some degree or seen as more of a nurturer. In Case 8 (Electric), the sister is aware of her changing relationship with her brother, but sees herself as the more visible partner as she handles public relations for the firm. Brun de Pontet and Rhodes (2011:1) suggest that once free of parental influence, siblings change their behaviour. This was borne out by Case 8; the daughter commented on how their roles had changed once their father had left the board room.

Analysis of the family dyads is one way of examining the formal and informal roles played by directors in the case companies. These multiple dyads of informal roles illustrate the complexity of formal and informal roles and the multiple dynamics of roles in the boardroom. The different dyads contribute to the significance in the running of the SMFBs, as the family's natural selection (e.g. single child, sisters or brothers) define the dyads, and therewith the relationship dynamics in the boardroom.

5.10 How decisions can be achieved

This section specifically looks at how the goals of the family business are achieved using meetings and agendas. Whatever the various aims of its component individuals and subgroups, the board as a whole must agree on its overall goal(s); it does this using formal or informal agendas and meetings, which influence the discussion.

5.10.1 Meetings and agendas

This section looks at pre-planned meetings and agendas. This is to develop an overall understanding of what happens within boardrooms, how directors can take influence and how agendas, set by chairman can influence the board and its running.

Pre-planned board meetings with agendas are only held in some of the case companies. Some use these meetings to discuss ideas or ratify processes, while others focus on goals and results. The meetings vary in length (1-3hours) and regularity (monthly to quarterly). While some boards start with information dissemination and end with action points, others vote on issues as they arise. One director described how their board meetings first deal with matters arising from the previous meeting before moving on to new business. All the directors commented that their agenda items are numbered, some with a time allocation and assigned responsibilities. No company was willing to allow the researcher access to a board meeting, written agenda, minutes or related documents as they felt these contain sensitive information. However, after being shown several sample agendas by the researcher, the interviewees confirmed that the agenda presented in Table 5.13 Example of an in-depth family business board agenda is a fairly representative example.

Table 5.13 Example of an in-depth family business board agenda

No	Tab	Item	Responsible
1		Call to Order	Chairman
2		Waiver of Notice	Chairman
3	D – 1	Minutes of Previous Meetings	Secretary
4		Business Arising from the Minutes	Chairman
5	I – 1	MD's Report	MD
6	I – 2	FD's Report	FD
	D – 2	- Approval of Financial Statements	Chairman

NB I = Information item; D = Decision item

Source adapted from: Early Stage Tech Boards (2014)

Table 5.14 Example of contents, time focus and orientation of meetings summarizes the various agenda items that are typically raised in board meetings in the case companies, as described by the interviewees (those companies that do not use written agendas still structure their meetings around agenda items or discussion points). These are mapped against the strategic time focus of the board and the nature of the item.

Table 5.14 Example of contents, time focus and orientation of meetings

Cross-Case data/content	Time: past, present, future	Information/discussion/decision-orientated
Agendas issued with reports attached 48 hours in advance	Present	Information
Declaration of conflicts of interest	Present	Information
Apologies	Present	Information
Minutes from the last meeting to be approved and signed Kept in minutes book	Past	Information/discussion/decision
Matters arising from the minutes	Past, present, future	Information/discussion/decision
MD/FD or other activities or reports	Past/present	Information/discussion
Invited comments (specialist's field)	Present/future	Information/discussion
Policy adjustments	Present	Decision
Legal changes	Present	Decision
Up to date news	Present	Discussion
Strategy (e.g. marketing, growth, merger, sales)	Future	Discussion
Other points of business	Past, present, future	Information/discussion/decision

Table 5.14 shows that the type of interaction varies according to the agenda item. Boardroom dynamics change as directors assume different roles, perhaps going from leading a discussion or presenting a report when the focus is on their area of expertise, to asking questions of others. The three consultants suggested that board decisions are often made outside the boardroom and that the opportunity for in-depth discussion in board meetings is often limited by time and the nature of the board itself. They all suggested that while the board might vote ideas in or out, the family usually has the final say. This was indeed evident in some of the sample cases. Cases 3 and 8 both admitted that certain items (e.g. health and safety regulations or changes in energy law) are brought to the board only to be ratified. However, other interviewees insisted that while they might discuss issues and gather information before meetings, no decisions are made beforehand. The detailed breakdown of agenda items indicates that big decisions such as whether to enter a new market or introduce a new strategy are rarely made in one meeting; directors may choose to gather more information or want to take more time to think about it. A big decision therefore, may be a recurring agenda item and discussed several times before a conclusion is reached. However, in companies where the founder has the majority shareholding such as in Cases 1 and 3 the respective founders are aware of their possibility to steer or veto a decision. In Case 1, the MD appears to make decisions prior to the board meeting then using the board to test his idea, while in Case 3, the founder who no longer works full time in the company as the only shareholder, retains considerable influence over the board.

Boards are legally required to minute their meetings. Not all of the case companies hold clearly defined board meetings with agendas, but they do all loosely divide their meetings into stages to accomplish different tasks, such as giving information, discussion and decision making. Directors' roles vary according to the task at hand; for example, presenting information or listening to others. Very little research exists on processes within meetings. Huse (2000) describes board meetings as having different sections but gives no further details. While public companies make their agendas and selected board meeting items available, private companies do not. As directors in SMFBs commonly play the dual role of director and manager, their boards might arguably be seen as more supervisory than managerial. Schwartz-Ziv and Weisbach's (2011) research supports the idea that not all board meetings are the same, which may be one reason why different boards, when linked to an input-output model, display varying results. The case studies suggest that the content of the meeting (whether the board is reviewing past actions, responding to present issues or planning for the future) and its main aim (i.e. strategic or review) determine directorial roles and dynamics and board processes, especially if discussion points are timed.

An individual director may also take a more or less active role, depending on the nature of the task or meeting. Volkema and Niederman (1995) identify different types of meetings: demonstration or presentation, brainstorming/problem solving, ceremonial, announcement or orientation, forum and round robin meetings. Baskin and Aronoff (1980) suggest that communication during meetings can be hierarchical (centralized) or organic (decentralized). Board meetings may involve both kinds of communication since they fulfil a range of functions, including information sharing, delegating tasks, coordinating, monitoring and strategic decision making. The focus of meetings may also change depending on the external environment. Thus, both individual directors and the Board as a whole must show flexibility.

Agendas and minutes (and any relevant literature) are distributed to directors early enough for them to become familiar with the content but Agendas may dictate what the board discusses, in which order and for how long. The agenda may arise from the Chairman's discussions with relevant stakeholders prior to the meeting (this was the case in Rhubarb, Mountain Dew and Lionel's companies). As the agenda controls the meeting, controlling the agenda could be seen as crucial. In the case of SMFBs, a founder or second generation director wanting to avoid a potentially difficult discussion might attempt to dominate the agenda (Johnson et al, 1996), or fill it up with presentations or discussions that avoid the real issues. Agendas, some directors and consultants suggested, can be set by collectively setting the agenda for the next meeting at the end of the board meeting thus avoiding bias. However, research in SMFB boards or boards in general is scarce with the exception of Huse (1998) who was able to document his position as a non-executive director but stopped short of describing how the agenda was compiled. (For more in-depth comments see 5.4.3).

5.10.2 Ratifying boards or discussion boards

The current study echoes Huse (2005) and Samra-Fredericks (2000a; 2000b) in showing that the process of governance is ongoing and does not just happen in the boardroom. Between the scheduled board meetings, interactions take place that support the work of the board. Directors are constantly monitoring new legislation and developments within their industry, and they may meet or speak to each other on a weekly or monthly basis. These interactions may set the pattern for boardroom behaviour; in Case 1, for example, the main interactions that take place outside the boardroom are the regular phone calls between the Chairman and the MD (father and son). These effectively exclude the non-executive, who sometimes has to remind the other directors to keep him informed. Everyone has an input inside the boardroom, though arguably, the decisions have already been made. In Case 4 (Paperclip), the interaction between directors takes place entirely outside the boardroom context, with strategy being routinely discussed at home.

The results show that while part of a board meeting may be given over to the discussion of ideas or the ratification of a process, at other times, it is likely to be more goal/results-oriented. The consultants suggested that decisions are often made outside the board room and that the board is only used to ratify decisions, but there is limited data to support this. Time pressure in meetings does indeed mean that directors must do extensive preparatory and follow-up work outside the boardroom, but it is by no means clear exactly when they make their decisions.

Contrary to the impression given in the literature that a board gets information and makes a decision within a single meeting, in SMFBs, some decisions appear to take several meetings. Many directors commented that there may be repeated discussion before a decision is made. Directors discuss the issue and gather information, only making a decision when the whole board is satisfied. Arguably, SMFBs have fewer resources, so directors have to find their own information and compile reports which might lead to delay. However, once a decision has been made, it can be implemented very quickly and the results, whether positive or negative, can be felt quickly.

Previous research has suggested that all boards are much the same and that they can be measured by means of a simple input-output model. In practice, however, little is known about the mixture of discussion, goal orientation and ratification undertaken in many general meetings. The effect of the content variable is also under-researched. The assumption that all boards are broadly similar also ignores the possibility that the nature of meetings may vary depending on where the business is in terms of its stage (survival/growth/acquisition) and its family stage (g1-g4).

Johannisson and Huse (2000) showed that the professionalization of the board requires a managerialist approach and the appointment of outside directors, but that entrepreneurial firms tend to resist bringing in outsiders. The authors conclude that a 'good' board (one that includes non-executive directors) can help a company exploit the tensions between entrepreneurialism, paternalism and managerialism and put them to positive use. Case 1, 3 and 8 echo these findings where a cultural shift is slowly taking place away from the owner-manager entrepreneurial/ paternal stage towards a strategic managerial approach. While Case 5 would like to be more managerial, they are creating a board alternative structure. Case 4 and 2 want to remain entrepreneurial and paternalistic on purpose, Case 6 though having a board could be argued to have remained paternalistic as it appears to be a rubber stamp board despite a non-family finance board member. Merson (2004) suggests a desire for independence and 'being in control', appear to be among the main reasons why many people start or join an entrepreneurial business, this may partly explain their reluctance to be 'controlled' by a board .

5.11 Model of influences on Family business boards

The aim of this section is to bring together the primary and secondary research to develop a model which might be used by both academics and practitioners with an interest in SMFBs and their boardroom dynamics. This is in response to the fourth objective of the thesis: to develop a family business board model, based on original evidence, which will add to our understanding of how SMFBs function.

5.11.1 Cross-case analysis

Table 5.16 summarizes the key themes from the cross-case analysis, which builds on the literature summarized in Figure 2.2. The table ranks the themes in order of the degree of influence they have on board operations in SMFBs, working from inside the boardroom outwards (see Appendix N, for more details). These findings form the basis of the model shown in Figure 5.2.

Table 5.15 Cross-case analysis

Emergent themes from cases **(See section 5.2)** **Ranked in influence**	**In-depth cross-case analysis** **(See section 5.2)**	**Model label** **(See below, section 5.11.2)**
Individual - Team	Family run, family owned, family controlled The effect of family stage Aims and conflicting aims within the board	Aims of business/stage of business
Goal of FB	Meetings and agendas	
Why FB?	Family roles (informal)	
Family closeness	Family relationships	Owners / Shareholders
Diversity **Non-executive** **Women**	Board composition, education and knowledge	Board – relationships and diversity (size, non family, non-executive ...)
		Rules, agenda, legal responsibilities and accountability to stakeholders

This research has shown that family businesses have multiple aims. These are placed at the centre of the model (**Figure 5.2**). The aim of the business and therewith the board has financial and non-financial aims. This model addresses this issue and shows that boards operate to support the aims of the business which can differ depending on stage (founder/ sibling partnership/ cousin consortium) and their aims. The more a family business grows the more differing aims there can be, hence a family governance structure is needed such as a family council to support their aims. Further, the ways these aims are addressed depends, as shown in this research, on the Boards relationships where experience and education are found to be key to the board.

5.11.2 Model of influences on Family business boards

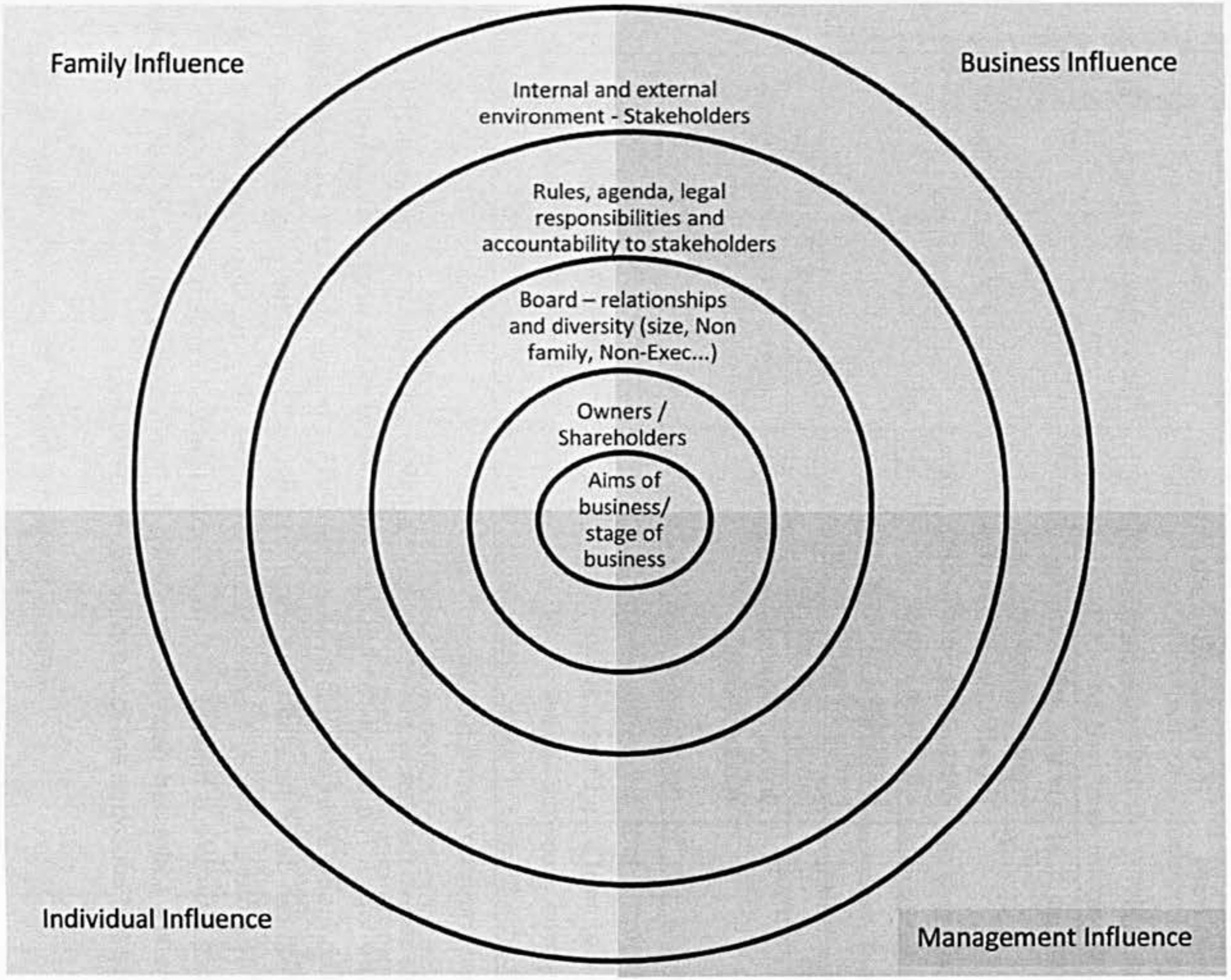


Figure 5.2 Model of influences on family business boards

The in-depth model is made up of five concentric circles, each of which is influenced by a mixture of family, business, individual and management factors. At the heart of the business, and therefore at the centre of the model, are the **business aims.** (See section 5.6 for more in-depth aims) These will be both financial and non-financial, long and short term, are likely to be profoundly influenced by the family's values; these aims might include the desire to maintain control, to grow, to create employment for family members or to maintain a legacy. They are also likely to change as the business moves from one generational stage to the next. Where the aims of individuals or subgroups conflict (for example where there is disagreement between family members, family and non-family or between management and owners), this can significantly affect the dynamics of the board and how it operates. Meetings and agendas can be used to influence the aim of the business. For example, if the Chairman decides to dominate board meetings with certain agenda items, this may influence the overall aim of the business. Some family businesses choose to define themselves as family businesses meaning they clearly choose the aims and values of their business, arguably family over business aims, and this has been seen as a central and key point of this research and is reflected in the model.

The next circle reflects the significance of the **owners and shareholders**, particularly their family relationships and business education and experience. Family relationships such as those between father/daughter, father/son, mother/daughter, mother/son can have a critical influence, as can family members' previous experience or education (or lack thereof). Ownership of the business in family businesses is usually divided between family members. This is reflected in this model by showing the aims of the business, which could be family or business, coming first followed by the owners and shareholders influence. This can be seen in the family closeness and family relationships. These relationships affect the aims of the business, owners/shareholders have a strong influence over the board and the directors and with that the direction of the business. Owners have the choice of electing or removing directors, they can exercise legal power and influence the direction of the business. Shareholders might decide that they want to have a long- or short-term financial investment and may agree or disagree with any of the board's decisions. Their influence is key to understanding the aims of the business.

The third circle takes account of the **relationships and diversity** within the board. The model reflects the finding that board diversity and relationships are impacted by the first two circles; the decision to establish a formal or informal board, the size of this board and the decision to include (or exclude) non-family or non-executives are all influenced by the aims and generational stage of the business, and by the background, attitude and relationships of the owners/shareholders. A company with a single founder and only one or two aims may have a less diverse board. On the other hand, if the aims of the board go beyond wealth creation (to include business growth and increased employment, for example), then the board might be more diverse. All of the non-family business directors and consultants in the study noted the importance of diversity, but few of the family directors wanted external members on their board.

The findings indicate that the way directors relate to each other is highly affected by their previous knowledge, experience and education. Those who have undergone specialist director training or whose previous experience has been on boards in larger companies (where diversity is likely to be seen as important) may readily embrace non-executives and women on the board for the range of perspectives they bring, while those with less director education may see these other directors as a threat to their control.

Once the aims, ownership and composition of the board have been established, the working rules can then be decided upon. Here board diversity in form of experience, knowledge of the board can work within **rules, legal responsibilities and accountability**. The question of legal responsibility, though important, is less significant in terms of how the board is constructed than the aims of the overall business. The board is influenced by how the rules are set: Is the agenda decided by the Chairman alone? Is responsibility for the agenda divided between different roles and responsibilities (both formal and informal)? Who is accountable in which way to the stakeholders? What form does this accountability take? All of these things influence the running of the board.

Finally, challenges and trends within both **the internal and external environment** will affect how the board and the company are run. Sudden changes in political or legal systems will have an impact, whatever the fundamental aims of the business and the owners, and irrespective of the education, knowledge and diversity of the board. Internal changes might include deaths, divorces or departures within the management or senior management teams, or changes in the relationships between employees or board members. The board must be an open system to respond to these changes.

The model illustrates how SMFBs form their boards, how relationships affect these boards and gives some insight into why the spectrum of boards can be found in SMFBs. In contrast to Astrachan et al.'s (2006) spectrum, it offers a non-linear framework for interpreting board behaviour. This original model can now be used to aid SMFBs in opening a discussion around governance and serve as a stock take of their different elements. The model supports them to analyse potential influences and raises awareness of key factors which may affect their governance. This model gives the first discussion point for SMFBs wanting to create a board or identify how their board can add more value. This model further allows for the changing dynamic and shift in relationships as it is not-static allowing for SMFBs to discuss the different influences and their potential impact.

5.12 Summary of results

This chapter presents an analysis of the emerging themes and constructs to examine boards, their processes and relationships from differing perspectives. It uses the directors' own narratives and employs cross-case analysis. It uses the in-depth evidence from the cases and consultants, as well as the different categorizations to look at SMFB boards. It concludes by summarizing individual points before creating a model based on the emergent themes. It gives an insight into the diverse approaches to governance within SMFBs in the UK. Chapter 5, builds on chapter 4 which presented original evidence of the existence of different types of boards, which were analysed and identified.

The family businesses in the study range from g1 to g3 and operate with different levels of family involvement. What they have in common is that individual personalities play a major role in determining the type of businesses they are and how they are run. These case studies demonstrate that directors' individual background and personality influence how the board and therefore the company is run, irrespective of size. Further, boards do not necessarily become more professional as they or the company grow larger it is dependent upon the differing aims and background of the directors how boards are run. The culture of the board is influenced by the Chairman, who is in turn influenced by their past experiences as are other directors. Additionally, individual, family, management and business culture influence the setting up and running of a board. Directors on the board also influence each other; in the case of Mountain Dew (Case 3), the MD has been able to use his directorial training to win the respect of other board members and persuade them of the need to professionalize the business. The board in Case 1 (Rhubarb Buses) is already highly professional, with fixed agendas and clearly defined roles, which the directors ascribed to their FTSE company background.

Those whose previous experience was in larger companies felt that the major advantages of a family board are the speed with which decisions can be implemented and the lack of bureaucracy. Only Case 1 (Rhubarb Buses) and Case 9 (Lionel) have a Chairman with previous FTSE 100 experience, and this seems influenced how these boards operate. While the directors in Mountain Dew (Case 3) have the relevant training and understand the role of the board, they acknowledged that progress is hampered by the strategy and personality/values of the founder.

Trust is central to all these businesses. Interviewees repeatedly cited this as the reason they are able to work together and depend on each other. Family members noted that they could rely on each other, while non-family members commented that they needed to be able to trust the other directors before taking on a position of such responsibility, especially given the potential legal consequences. Trust is potentially a family versus non-family issue, but across the board it is a key pre-requisite for working together and establishing respect.

Some of the families in the case companies were 'closer' than others. While the directors in Case 1 (Rhubarb Buses) suggested that they meet only for the sake of the business, the families in Case 4 (Paperclip) and Case 6 (Smith Furniture) described living in close proximity and sharing holidays. The more close-knit the family, the more they appeared to focus on family aims such as wealth creation or long term family strategies. Couples and less close-knit families tended to take a more objective approach in the sense that they were more willing to grow a company with the aim of selling it, even if this meant losing this connection to other family members. In all cases, conflict was accepted as part of living and working together.

This summary section is constructed in the same way as the chapter, with subheadings mirroring the chapter outlay.

Board

This research adds to our understanding of the diverse approaches to governance in SMFBs by analysing the spectrum of family business boards, legal responsibility, board structure, board composition and roles (formal) as well as cross case trends.

The spectrum of family business boards: The data shows that it is possible to identify a spectrum of family business boards in the SMFB context. However, within any given spectrum category, directors may at different times play a more active or passive role depending on board dynamics or subject matter. This suggests that it might be better to have a classification system that takes into account individual director behaviour. A company's position within the spectrum of boards seems to have less to do with the size or age of the board or company than with the background and education of its directors and their ability and choice to interact with non-family members.

Legal responsibility and board structure: The analysis showed there was a spectrum of directors awareness in terms of legal responsibility and different types of board structure ranging from very formal to informal. This varying knowledge, which linked strongly to the directors experience and educational background affected how boards were run as well as director positive and negative impressions of boards. On the whole, the findings do not support the contention that strict structures need to be put in place for companies to thrive. Although all of the companies fulfil their legal obligation to have directors, they do not all have an official board or hold regular meetings. However, the case companies that do not hold regular, formal board meetings (Paperclip and Smith Furniture) have achieved the same size and turnover as those that do.

Board composition roles (formal): The formal role analysis showed a spread of roles ranging from family Founding Director (g1) to executive Directors (g3) to non-family and non-executives as well as chairman and companies secretary. This showed the wide range of views but also the difficulty in defining their formal roles such as Chairman and separating these from their informal roles such as Dad.

Cross case trends: Using the different formal roles similarities were identified, these ranged from the usefulness boards found in founder Directors to the exclusion experienced by non-executives and non-family directors. This section highlighted that despite the difference on size sector and make up of the board and similarities found on boards based on formal roles was found.

This analysis opens up the boardroom for more in-depth analysis and develops the context of different boards and directors showing how a large spectrum of boards, legal knowledge on boards and board roles exist despite similar views in some areas. It contributes to the second objective of the thesis, adding value by developing the context of boards and governance structures.

5.12.1 Individual - Team

The research adds to our understanding by examining the emergent themes within the boardroom. This section focuses on individual-team analysis, looking at the subgroups within boards to develop deeper understanding on the effect of generational stage and whether a business is family run, family owned or family controlled. Sections 5.12.1 to 5.12.6 contribute to the third objective by examining the formal and informal roles played by directors within the case companies and how these roles affect the running of SMFBs.

Subgroups: The analysis showed that while boards' size may vary in numbers, different alliances and subgroups existed. While section 5.10.1 showed that meetings are made up of different sections which can influence the subgroups, for example there might be an alliance over long term aims for the family or short term marketing plans. This section offers an initial look at the subgroups and dynamics which influence the board and its makeup.

Family run, family owned and family controlled

Purposeful sampling means that all of the case companies are family run, family owned and family controlled. In this respect, the sample is homogenous. Most of the businesses are founder-controlled or run by sibling partnerships. The latter seem to have the fewest family-related problems, as the siblings have grown up together and share background and values.

Case 3 (Mountain Dew) illustrates the difficulties that can arise when a founder/owner attempts to share control. After having been the sole director for 35 years, the founder has appointed two fellow directors. These are both aware that they have to manage the situation sensitively, and they admitted that there are certain issues they would not even bring into the boardroom. All three directors described it as a gradual process of adjustment and trust building.

Among the sibling partnerships, most 'grew up' in the business. Some worked their way up while others were simply put into managerial positions of their choosing. The former was the case in Case 4 (Paperclips), where the brothers entered the business to help their father, while the latter was the case in Case 6 (Furniture), where the sisters studied in higher education and then came back into the business. In contrast, the siblings in Case 8 (Electric) first worked in other businesses before deciding to enter the family business. In all cases, family members outnumber the non-family members on the board.

This analysis showed that boards independent of ownership, control or management exist within a context that means different alliances and subgroup are formed. Family members are conditioned into the family way of doing things,

5.12.2 Aims of the board

Conflicting aims identified that similar to previous research business and family aims, as well as different roles can have conflicting aims which may affect the dynamic of the board. Further, the aims might be subject to different personalities as well as generations demanding aims which ultimately led the research to ask, given these potential conflicts is using a conventionally structured board in the best interest of an SMFB?

The effect of family stage

The case companies are all family run (FR), family owned (FO) and family controlled (FC) businesses with most either first generation (controlling owner) or second generation (sibling partnership). The results reflected the diverse field of family business with boards and companies being at different stages in their governance structure having diverse impact ranging from an informal to formal structure in different generations. It was noted that while previous research might have focused on the age of the business, findings in this study suggest that the family stage (i.e. whether it is a g2 sibling partnership or g3 cousin consortium) may be a more significant in the decision of whether to set up a board than the age of the business. As family involvement at director level or ownership levels might change in a short space of time.

5.12.3 Diversity on boards

How diversity affects board composition showed that, similar to previous research, groupthink can exist and that personal factors influence the composition, which in itself is strongly linked to the aims of the SMFB.

The section **How education, experience and awareness affect a director's perspective** highlighted how past experiences strongly influenced the way the boards were run ranging from IOD style boards, to FTSE100 style-boards to informal boards – depending on directors experiences and education.

5.12.4 Why is it a family business: The importance self-defining the family business and family business branding

Within academia the actual definition of a family business is still illusive, with some academics even claiming family businesses are no different from non-family businesses (Fitzgerald and Muske, 2002; Carland et al., 1984). The case companies are all family owned, run and controlled, but not all of the case companies were keen to be classified as family businesses as FB theory suggests. This shows a distinctiveness between theory and practice.

5.12.5 Family closeness

Family relationships (Informal roles)

Examining the family roles showed that there appears to be a lack of research on family relationships within FBs, especially within SMFB boards. In this sample, father-son relationships ranged from confrontational (Case 1) to supportive (Case 2 and Case 4). In all cases, the sons created their own role within the business. In contrast, the daughters in the sample all came into businesses which were already well established and so had to find a role for themselves within an existing framework. While the daughters in Smith Furniture (Case 6) participated fully in the business, the daughter in Mountain Dew (Case 3) had eventually decided to withdraw. The sample did not include any cases where both mother and daughter were on the board. While divorces existed within the case families, the only step relationship involved in the SMFB was in Case 1 (mother and adult son). There were no family schisms to complicate the questions of ownership and succession such as adoptions or excluded members.

Formal and informal roles

A wide range of director roles were represented in the interviews, from Director (founder/g2/g3), non-executive director and non-family director to Chairman; hence, a broad spread of views and perspectives were captured. There was broad consensus on some issues and division on others such as the inclusion of non-executive directors. Some boards considered themselves too small to need a non-executive but had no objections in principle (e.g. Mountain Dew and Sunshine Consulting – of significance to this study is that these companies differ significantly in terms of turnover and staff size). Those that did have non-executive directors were split as to their value. In Case 1 (Rhubarb Buses), the MD initially said that he found the non-executive helpful but later commented that the non-executive only told him what he already knew. The Chairman/father said the non-executive was important but admitted that they had heated arguments.

Family roles

It became apparent that in a number of cases, family members found it difficult to switch between their formal business and informal family roles. Family business researchers have described role issues in differing ways; 'role conflict' (Salganicoff, 1990), 'role carryover' (Rosenblatt et al., 1985) and 'role confusion' (Freudenberger, Freedheim and Kurtz, 1989) characterize the relationships in family businesses (eg the incompatibility of family and business roles).

This research showed rich data to support these formal and informal roles. The MD in Case 1 said he always called the Chairman Dad, while the interviewee from Case 6 (Smith Furniture) admitted *'she is my sister first, a director second'*, showing the depth of the family ties. This also demonstrated how difficult it canbe for family board members to preserve family goals (maintaining harmony and growing together) when their business goals require them to challenge and constructively critique each other. The old saying blood runs thicker than water' appears to apply throughout the business and into the boardroom.

5.12.6 How decisions can be achieved

Meetings and agendas

Having regular meetings and using Agendas which are set by the chairman influence the board. However some meetings were formal, while others informal. Some held regular and irregular meetings, in person with all present or parts or by phone. Overall the findings showed boards need to have different time focuses and that agendas can be used to see who is dominating at which time. For example, the finance director might take the lead during the financial part of the meeting, while the operations manager might be dominant in their area.

Ratifying boards or discussion boards

Overall the results, similar to previous findings, show that while part of a board meeting may be given over to the discussion of ideas or the ratification of a process, at other times, it is likely to be more goal/results-oriented. Contrary, however, to the impression given in the literature that a board gets information and makes a decision within a single meeting, in SMFBs, decisions appear to take several meetings. Further, this research shows that while it has been suggested that boards are much the same and that they can be measured by means of a simple input-output model, in practice little is known about the mixture of discussion, goal orientation and ratification undertaken in many general meetings. And how this may change depending on generation or stage of the business.

5.13 Conclusion

The previous chapter presented original evidence of the existence of different types of boards and identified the various roles played by boards in UK SMFBs. This chapter draws on this evidence to examine the formal and informal roles played by directors and how these roles affect the running of the case companies. The analysis draws together different facets from the guiding concepts (Chapter 2), narratives (Chapter 4) and emerging themes (Chapter 5) to develop a family business board model. The cases represent a spectrum of boards, individuals, subgroups and dyads, and a range of aims and challenges for the families, businesses and boards involved. While initially, all the cases seem unique, the cross-comparison suggests there are some common themes.

Boards in the case companies were created to suit the particular needs and aims of the founder/owner(s). The background of the directors' and their education appears to have a significant impact on their ability to separate their formal and informal roles. The cases included examples of businesses holding families together (Logistics and Rhubarb Buses) and families holding businesses together (Smith Furniture and Electric). In addition to seeking profit, the family businesses had wider non-financial aims such as providing employment and securing a family legacy.

Family and non-family directors spoke about the importance of trust. In the research process itself, Trust was shown in the way they interacted and how they spoke about each other. Most interviewees could name the point when their board started to trust each other and they were able to debate sensitive issues. However, all non-family members noted their difference to family members. With this trust came the ability to communicate openly with each other in a professional, unemotional and respectful way, though everyone was clear that family members had the final say.

While all three consultants spoke about board reviews and recruitment strategies, none of the other directors mentioned these. In several cases, the interviewees suggested that if they needed to recruit someone, they would be inclined to recruit from their own social circle. These boards, arguably the most important body in the business in strategic terms, seem to be composed of people using personal networks and handshakes to agree deals.

This research has also highlighted that the initial findings of personal relationships (father-son, mother-daughter, sister-sister) can be very different. However, more boardroom research is needed into these personal relationships. Boards are built around the family needs and aims which appear to be independent of size of the company but appear to be related to the personality and awareness, through education or experience, of the founder.

The study also shows that businesses and directors interpret the role and responsibilites of directorship in very different ways. How they interpret these requirements is reflected in the type of governance structure they choose. This research highlights that while boards are not necessarily 'old boys' networks', nepotism is rife and personal contacts play a key role. It also finds that the depiction of boards by policy makers, best practice guides and academics as challenging and enquiring environments is not necessarily accurate. The dynamics of the board are affected not just by interactions within the boardroom but by a wider network of family (and non-family) actors. A board that shares common goals is more likely to work as a team. At the same time, it needs a diverse skill set and the ability to upskill as necessary to respond to new challenges. All this means that directors need to be educated, aware of their responsibilities and able to work collegially. Similar to Huse (2005) who identified that directors and boards do not work in isolation, this reasearch showed that directors operate in an open system. The boardroom and discussions are not isolated to one place or time, neither are formal or informal roles which influence the dynamic in the boardroom.

This study echoes other researchers in concluding that every SMFB creates a board in its own way and that every board is unique in terms of its skills, education and mindset. However, it adds to the literature by offering new insights into the multiple roles, facets and aims of SMFBs and the complexities of SMFB boards by offering an intial model (see figure 5.2).Therefore, the model offers preliminary support for SMFBs and their governance structure choice by opening the debate by identifying influences. Like non-family SMEs, family businesses need governance tools that will help them to be more entrepreneurial and to implement decisions and processes quickly and efficiently. To do this, they need to be able to take into account the various aims of the company and its shareholders, the company's abilities and resources, the internal and external environments, and the requirements of stakeholders.

6 Chapter 6 –Conclusions and Implications

6.1 Introduction

The research is a response to Pettigrew's still pertinent observation that: 'Very little is known about the relational dynamics in and around the boardroom' (1992:178), which despite its age can still be levied (Sharma et al, 2014). It extends Astrachan et al.'s (2006) work by presenting empirical evidence for their spectrum of family business boards and explores the spectrum of governance structures that exist in SMFBs and the roles and dynamics that affect family business boards. After presenting the findings, the chapter considers the importance of family business research and what implications the findings have for practitioners and policy makers. It concludes by looking at the limitations of the study and identifying potential research avenues for future family business board research.

Family businesses are the predominant form of organization worldwide (La Porta, Lopez-de-Silanes and Shleifer, 1999; Faccio and Lang, 2002; Holderness, 2009), making significant contributions to gross national product, employment and wealth creation in countries around the globe (Beckhard and Dyer ., 1983; Shanker and Astrachan, 1996; Kelly et al., 2000; Feltham et al., 2005). But despite their economic importance, much of the current legislation on boards (eg Companies Act 2006), fails to recognize the uniqueness of family businesses and their boards. Indeed, Astrachan et al. (2006) have shown that many of the most highly recommended corporate governance practices may actually be detrimental to family businesses, damaging family unity or imposing excessively complex requirements on private firms. Various scholars suggest more varied research is needed into family business boards to guide further research and inform future legislation (Dyer, 2003; Jaskiewicz and Klein, 2007). Recent studies have examined the potential for conflict between business and family (Kenyon-Rouvinez and Ward, 2005:5), the overlap between family, management and ownership (Tagiuri and Davis, 1992) and boards as 'input-output' areas, arguing that different types of diversity improve board performance. This research has looked at these divided areas as a whole using boards as unit of analysis to develop a deeper understanding of formal and informal roles and relationships and how this influences the spectrum of the board.

The thesis aimed to ascertain how SMFBs organise their governance structures and focuses on the way in which individuals on family business boards may play multiple roles. In SMFBs, research shows that the line between daily management and the board may become blurred, and directors' formal and informal roles may overlap. Prior research has generally been influenced by agency theory and US-based input-output models examining board composition or tasks. This study takes a different approach; it draws upon directors' own narratives to look at the board as a team. Roberts et al. observed that: 'Research on corporate governance lacks understanding of the behavioural processes and effects of boards of directors' (2005: S5). While Roberts et al. (2005) were referring to public boards, the same view is echoed elsewhere in governance and FB literature.

Although family businesses play a significant role within the UK economy, SMFB research in the UK is still in its early stages. This thesis identified literature from broadly three areas: contextual influences on SMFBs, the Board of Directors and inside the boardroom including theoretical lenses to examine the landscape of boards.

Developing the contextual understanding showed that the corporate governance research that has been conducted in the UK has mostly focused on public companies, while international governance research is predominantly US-based. However, national variations in terms of legal framework and approaches to best practice mean that findings from one national context may not always be transferable to another. This thesis used the EU framework SMEs and FBs to further consistency and comparability to other studies which was highlighted as a FB issue across the literature. This lack of clarity in definition has led to lack of consistency in the FB field which this thesis helps to bridge by having clear EU definitions.

Researchers looking at the boardroom from outside have drawn a range of conclusions about the duties and objectives of boards. Similarly, those researchers focusing on board roles have variously interpreted the term to refer to the tasks and activities undertaken by the board as a whole, the level of involvement it has within the company, and the role played by individual directors. This definitional confusion has to some extent hampered progress in the field. This research build on this by clearly defining family run, family owned, family controlled businesses and identifying the effects of family stage . This research always ascertained the diversity and potential impact of aims and conflicting aims which lead to the creation of a board or governance system and may then appear within the board. This approach to examining the context of board has shed significant light on the SMFB board landscape.

The issue of understanding the boardroom is compounded by the difficulties researchers face in gaining access to boards and to information – a problem acknowledged in almost all research papers in this area. Even when access is granted, it is difficult to observe unmodified director behaviour in situ; when Lockhart conducted a longitudinal case study of one New Zealand board, his respondents commented on the unusual behaviour of fellow directors when the researcher was present (Lockhart, 2006:39). It has also been suggested by Huse and Gabrielsson (2004) that the 'publish or perish', US-inspired deductive approach has encouraged scholars and doctoral students to rely too heavily on easily available data and well-established methods, since these are most likely to lead to tenured positions. According to Huse and Gabrielsson (2004), this has had an adverse impact on governance research. The implication is that researchers are more motivated by careerism than by the pursuit of knowledge for its own sake. This thesis adds value by evidencing rich narrative data and using cross case analysis to develop a deeper understanding of the nuances and changing dynamics with in SMFBs.

This thesis further adds to the body of theoretical literature that suggests that family businesses do not exist solely to produce the maximum return for shareholders. In some cases, family businesses may choose to preserve the legacy of the family, community values at the cost of dividends as these are seen as short term gains. The literature showed that governance definitions implied the 'best interests' of investors and other stakeholders maybe financial and therefore aligned, but this research builds on this identifying different family, business or family goals. While agency theory suggested the separation of ownership and leadership, family businesses may align and have short or long term financial or non-financial interests. This is mirrored in the stewardship theory, suggesting families are only guardians for a generation before the business is passed on.

This thesis builds on our understanding of the boards of directors (outside the boardroom) . Identified the disparity on knowledge around the Companies' Act 2006 and ascertained different board roles by examining the value of the board as well as the boards objectivities which varied from business, family or family business first. The cases highlighted the different roles of the board and helped to create the model (see Figure 5.2) to ascertain the possible influences on governance. It has added to the ambiguity around board roles, ascertaining the importance of the pinnacle of a company as well as the challenging the agency theory in board roles to monitor and use resources. It has also build on the board classifications adding empirical findings to Astrachan's et al (2006) spectrum of boards. Further, the thesis adds value to our knowledge inside the boardroom. It adds evidence to previous studies that family board diversity is seen as important but suggests that groupthink or family-think is prevalent in family business. This is despite the awareness that outside board members may add value to a firm. The results show that board process are influenced by the knowledge and experience of the Directors which, in the case companies, spanned across from none to very experienced and altered the running of the board and its set up. In some cases, it could be suggested that there was ignorance. Ignorance of both legislative and the added value of boards and outside perspectives they may add. Further, this research evidences that diversity on boards in family firms may be due to the make-up and size of the next generation as opposed to by design. The most extreme example is Case Furniture where the company initial called Smith & Sons was renamed due to the next generation being three females. The next generation influenced not only the company name but also the size of the board. Director tenure, which was highlighted in the literature to promote accountability, was not enforced in any of the SMFB case companies. Finally, this thesis highlights the importance that agendas which direct not only the foci of meetings but the dynamics of the board. Previous research has suggested meetings were monolithic and homogenous, but this research suggests discussions outside the boardroom may be more important. Further, the findings suggest that the steering of the agenda, which influences the board may distract from issues. Similar, to previous research no SMFBs allowed the researcher access to their minutes or agenda, but the importance of time focus of boards (past/ present/ future) and orientation of boards (information/discussion/decision) shed light that board meetings may not be as homogenous as originally suggested.

The theoretical lenses presented in Table 2.9 emphasise that in FBs stewardship theory may be closely aligned to SMFBs. This research has added to the body of evidence of the importance of alignment and interest, high value commitment and long term management philosophies. It has demonstrated the importance of the alignment of family, business and management linking to systems theory. Additionally, the narrative data and cross case analysis have added some empirical findings to the market and control model suggesting that while the market model prevails in the UK, SMFBs work to a control model. This highlights further the governance and legal differences which may be required to support SMFBs.

In summary, this chapter has contributed to the overall aims of the thesis by guiding the research direction and adding value to identifying various roles played by boards of directors in SMFBs and furthering the examination of formal and informal roles played by directors and ascertaining their significance.

Further, this research suggests that the widespread reliance on agency theory may have biased previous studies. A review of the literature shows that different theoretical lenses have yielded different results, highlighting the influence of perspective and supporting the case for the implementation of new methodologies in this area. Accordingly, this study takes a fresh approach, adopting Astrachan's et al. (2006) spectrum of board participation as a framework and gathering first person narrative accounts from directors to supply empirical evidence in support of the theoretical model. The use of first person narrative allows directors' voices to be heard and identified in context to other board members, highlighting the formal and informal roles which influence board dynamics.

6.2 Significance of the research approach

The primary aim of this research is to provide an understanding of the diverse approaches to governance within SMFBs in the UK. Using semi-structured interviews and a novel approach of eight cases, it identifies boards across Astrachan et al.'s (2006) spectrum, showing that these were created to suit the particular needs and aims of the founder/owner(s) in each case. It echoes other researchers in concluding that every SMFB (and every SMFB board) is unique.

It examines directors' narratives to identify the influence that background and education have on their ability to separate their formal and informal roles. In addition to seeking profit, the family businesses in the study have wider non-financial aims such as providing employment and securing a family legacy. This prompted consideration of how board roles and internal dynamics affect the directors and their roles during their decision making. The research objectives were to identify the various roles played by boards of directors in SMFBs in the UK, to examine the formal and informal roles played by directors within the case companies and how these roles affect the running of the SMFBs. The results, which fulfilled the objectives to varying degrees, show that while a spectrum of boards exists, subgroups, family dyads and challenges vary according to context and over time. In-depth examination revealed that businesses and directors interpret the role and responsibilites of directorship in very different ways, and that this is reflected in the type of governance structure they choose.

Building on the individual cases, the cross-comparison produced results which both support and contradict previous research. They confirm the importance of context, showing that the 'black box' cannot be equated to an input-output model, as highlighted by the finding that business aims and family dyads differ from one SMFB to another SMFBs (though further research is needed into these personal relationships). They also provide additional evidence that while SMFBs boards are not necessarily a haven for the old boys' network, nepotism is rife and personal contacts play a key role. On the other hand, they differ from previous depictions of boards by policy makers, best practice guides and academics by showing that the dynamics of the board are affected not just by interactions within the boardroom but by a wider network of family (and non-family) actors. Board discussions are not restricted to the boardroom, and neither are the formal and informal roles that influence the board dynamic which can also vary over time.

This study echoes other researchers in concluding that every SMFB is unique and offers rich narrative and thematic data. It gives some insight into the multiple roles, facets and aims of SMFBs and the complexities of SMFB boards. Specifically, it demonstrates that the various aims of the company and its shareholders, the company's abilities and resources, the internal and external environments, and the requirements of stakeholders all influence the decision-making process.

The study succeeds in presenting original evidence of the existence of different types of boards and developing a family business board model. It partially fulfils its other two objectives: to identify the various roles played by boards of directors in UK SMFBs and to examine the formal and informal roles played by directors within the case companies and how these roles affect the running of these companies. The study shows that boards are built around the family's needs and aims, which appear to be related not to the size of the company but to the personality and awareness, through education or experience, of the founder.

6.2.1 Method

The study employs narrative and thematic analysis. It uses directors' personal narratives to reveal how they perceive each other, the board and its decision-making process. Semi-structured interviews were conducted on location with a purposefully selected sample of participants. These were (audio) recorded, then transcribed and subjected to thematic and chronological analysis. The aim was to gather enough data to allow the inductive exploration of board dynamics, but throughout the process, this had to be balanced against resource constraints.

6.2.2 Use of case studies

The use of case studies enabled the researcher to take a holistic view of each board and to compare and contrast directors' perceptions. It is in the nature of qualitative research that the researcher and research process evolve along with the research, thus Archer's Bootstrapping (1988) was used. In the first case study (Rhubarb Buses), all of the directors were interviewed. Although this gave the researcher a clearer picture of each director's personality and the way they behaved, spoke and interacted, it did not add as much value as expected to the case. Duplication such as '*I would not see my family if not for the business*' (MD/son) and '*He is distant and we probably would not see him if not for the business*' (FD/step mum) suggested that possibly only one or two interviewees from each board would suffice to give an insight into board dynamics.

Following Stivers' (1993) rationale that social structures are as recoverable from single social beings as they are from groups, the study employed thematic narrative analysis of the directors' accounts. This helped preserve the 'whole story' of each board and its members, allowing a deeper examination of the directors' formal and informal roles and how these roles affect the running of the case companies. This is supported by Mishler (1996) who recommends the narrative inquiry as a way of conducting case-centred research among individuals, groups or communities. The cross-case analysis highlighted the similarities and differences between these boards and board roles, supporting the overall aim of the thesis to identify the landscape of SMFBs in the UK. According to Riessman (2008), thematic analysis is the most widely used analytic strategy. In this case, it focused on the content of the director's narratives – their accounts of their board experience and their relationships with other directors inside and outside the boardroom. As Riessman (2008) suggests, thematic narrative analysis only appears straightforward and intuitive; in practice, it is very difficult as demonstrated throughout this research. The analysis of the narratives must be systematic, focused and detailed, while still retaining a sense of the whole story; it should seek to preserve the 'wealth of detail contained in long sequences' (Reissman, 2008:74). Above all, thematic narrative analysis preserves sequencing, keeping the story intact while interpreting it. This research answered the research aims to varying degrees while opening up the 'black box' using an innovative case method.

6.3 Contribution to knowledge, theory and praxis

This research contributes to the family business literature by finding empirical examples of boards across the spectrum and gaining insight into relationships, processes and dynamics in SMFBs. It uses case studies and narrative research to reveal the complex dynamics at work in SMFBs and to design a model to support academics and practitioners. Starting with the theory that no single paradigm will suit all boards, it seeks to identify those principles and practices that family business boards might find most helpful. Finally, it contributes to SMFB board literature by giving rich data on directors' lives and perceptions.

The study increases our understanding of how boards work by outlining the characteristics of board meetings (pre, post and during) and exploring directors' interactions during discussions. It goes beyond the 'input-output' aspect of the homogenous board and develops a more holistic understanding of board dynamics and their impact on decision making. It adds to the body of knowledge by identifying that boards in the case companies were created to suit the particular needs and aims of the founder/owner(s) and by highlighting the significance of the directors' background and education in terms of separating their formal and informal roles. The study also shows the variety of financial and non-financial aims SMFBs have and the role the board plays in holding together family and business. This research contributes to governance literature by presenting 'lived narratives' which suggest that boards and their meetings are not monolithic in their different roles and that decision making is neither linear nor standardized. Further, it adds to family business literature, which has rarely focused on board dynamics and relationships, by analysing family board dyads and identifying boardroom subgroups. This study echoes other researchers in concluding that every SMFB is unique, but adds to knowledge by providing some insight into the multiple roles, facets and aims of SMFBs and the complexities of SMFB boards. Like non-family SMEs, family businesses need governance tools that will help them to be more innovative and to implement decisions and processes quickly and efficiently. This study echoes (Merson 2004) findings that directors had a desire for independence and 'being in control', and therefore agrees in part with the explanation that this might lead to their reluctance to be 'controlled' by a board and external family members.

SMFBs face unique governance features and boards' functioning has a lot of specific implications to deal with (Huse 2000). Certainly, boards in family SMEs are characterized by the existence of divergent features, related to the presence of formal and informal aspects (Huse 1994). Given the duality of the economic and non-economic goals a family firm pursues, they may develop a dual governance structure promoting cohesion and shared vision within the family and reducing harmful conflicts (Mustakallio et al. 2002), which this study has echoed. Calabrò and Mussolino (2013) suggest that in addition to formal governance mechanisms family firms may implement informal governance mechanisms that promote social interactions and the formation of a shared vision. This was echoed throughout the findings. One might suggest that for this reason, informal governance mechanisms are commonly viewed as substitutes or complements for formal governance mechanisms in family firms (Poppo and Zenger 2002) which has been reflected in this research showing the importance of opening the 'black box'.

This study further builds on (Poppo and Zenger, 2002) assumption that informal governance is seen as a substitute. The spectrum of boards shows while formal and informal boards exist, the differences therein need to be further identified. This thesis has added to the board field by identifying dyads and subgroups on boards, but stops short of addressing how these might be dealt with or further measured.

In addition to employing formal governance mechanisms (e.g., independence in board behaviour) that minimize opportunism, as the prescriptions of agency theory (Jensen and Meckling 1976; Fama and Jensen 1983), This research further adds to stewardship theory. While relationships are not static, the idea of continuation over generations and being the custodian of something is echoed, to a higher degree, in the research. Stewardship theory assumes that there is an alignment of interests and behaviour of managers; this has been shown in the different case studies presented. Unlike agency theory which suggests that it is self-serving , stewardship theory suggests the collective serving. Using this and having the risk orientation of trust and long term performance was echoed throughout the cases. Building on the literature agency theory would support a management philosophy which is more short term and more cost controlled, which is not reflected in the cases. Stewardship theory seeks high value commitment which was seen throughout the cases. This research supports Calabrò and Mussolino (2013) conclusion that agency theory is not sufficient to explain family SME governance.

Unlike Bennett and Robson (2004) who found no compelling link between qualifications of directors or board structure and certain indicators of SME performance, this research adds value by highlighting that past experience and education appears to influence governance structures and the running of boards. Further this research shows external consultants and internal management skills are sometimes seen as substitutes for boards, independent of firm size.

6.3.1 Implications for family businesses and policy makers

Although no two businesses are the same, similar roles and relationships prevail, whatever the sector or size of the business. The simplified diagram presented in Chapter 5 enables SMFBs, researchers and practitioners to identify what type of board they have and to better understand its role, processes and level of engagement. Family businesses, like any other SME, need governance tools that will help them be entrepreneurial and implement processes quickly and efficiently. They must have a clear view of everyone's aims, abilities and resources, the internal and external environments and the requirements of all stakeholders. This thesis has implication for family businesses on different levels. Firstly it is set out to highlight using empirical evidence the diverse approaches of governance found within SMFBs within the UK. While the literature has shown that boards create value to the business, see section inserted, this research has shown that if boards add value there is then a further spectrum as to how boards may or may not add value. Further the composition of formal and informal roles shows the diversity and difficulty found within family businesses being able to support, based on this understanding, family businesses further by having more support in terms of board structure and legal responsibility which may help them identify their formal roles. This research showed that despite the homogeneous sample of family run, family owned and family controlled the diversity and ever changing dynamic is present. At the centre of the research is evidence that the aims of the family, the business and the family business if not aligned can cause conflict. The alignment or dis-alignment of these aims can also be reflected in the board structure and governance that the family business seeks. This has implications for family businesses who may not be aware of their aims, therefore this research raises awareness around the family and business aims in relation to governance. Using dyads this research highlighted the possible groups and sub groups found on the board. This division of formal and informal roles is, to the author's knowledge, the first of this kind. Some dyads showed similarities. Being aware of dyads and sub groups has implications for family businesses and the wider community and understanding formal and informal roles as well as the impact that these have on governance decisions may be crucial to the boards adding value. This research is the first of its kind ,to the author's knowledge, to examine dyads within family business boards, and has therefore explicitly built on previous knowledge of the boards. This research has implications for family businesses by adding value to how boards work whether predominantly decisions are made within or outside of the board room, agendas which are influenced by the aims fundamentally influence the running of a board meeting. This linked to whether a board is more a ratifying or discussion board can fundamentally influence the value added by a board. The implications for family businesses of not letting in outsiders despite having the awareness that outsiders may be needed supports evidence which already exists within the literature. Using the model family businesses may be able to identify what type of governance they prefer (family, business or family business first) and how they wish to create their governance structure. Being legally aware of the responsibilities of a director and thus the function of a board may be, in the SMFB context, critically important. Overall these cases showed that formal education had not let the directors gain an understanding of their legal responsibilities which since the Companies Act 2006 are written by law. This research is a unique look at exploring the diversity which exists within SMFBs within the UK. Having identified that different aims influence the governance of businesses family businesses may wish to have more training and have their needs met. While none of the boards had interlocking directorates few of them expressed any desire to have any director training, further highlighting the possible further issue of being unaware of the difference of managing and directing firms. Further, some owner directors instinctively appeared to avoid discussion of governance issues. This may be because they themselves have had limited exposure to the effective operation of a board. This has implications far reaching as strategic planning and therefore the added value of the board might be lacking if the fundamental reason for the board is misunderstood. While many SMFBs have multiple roles having the resources and time to strategically plan and think might be crucial to the growth and success of SMFBs within the UK.

This thesis contributes to the use of boards, supporting the idea that while governance has its origin in controlling and monitoring, SMFBs see the role of a board as more of a resource than a control. This further supports the emerging stakeholder theory, leaving the current generation as custodians of a business as opposed to monitor or controllers which emerged from the agency theory. Further, this thesis gives insight as to whether boards are an untapped resource in SMEs.

This thesis has added to our understanding of the boardroom. It has identified that decisions and discussions outside the boardroom maybe more important that the actual ratification during board meetings. Further, the importance of the agenda, set by the chairman, has a key function in steering discussions and foci of the directors. This research shows SMFBs might be limiting themselves by not having sufficient awareness or training to support them to be able to make strategic or growth decision. In most cases family came first, therefore the aims of the SMFB and its governance structure was designed accordingly.

This research has implications for policy makers. Much emphasis has been placed on boards of directors and their improvement by stakeholders such as the National Association of Corporate Directors (1996). Various Codes of Best Practice (e.g. the Cadbury Report and the European Company Law Action Plan of May 21, 2003) now supply explicit guidelines regarding boards and their directors. However, this study suggests that although most policy makers are aware of the significant impact SMEs and FBs have in their national economies, many of these businesses need further support in terms of best practice guidance and improving directors' legal awareness, which varies significantly among FBs. Further, the failure to recognize different 'types' of family firms could impact on policies. Zahra et al., (2004) suggest that assumptions relating to the stereotypical family firm may encourage practitioners to provide inappropriate assistance to particular 'types' of family firms that do not fit the stereotypical family firm profile. The SMFB Model (Figure 5.2) could be used to help policy makers develop a more nuanced understanding of the diverse influences on SMFBs to inform policy. Further research is needed to inform policy makers if they are to be able to support SMFBs, which provide not only employment and revenues but which also pass on values such as caring for the community in which they operate.

6.4 Further research

This research demonstrates the different types of SMFBs that exist and their various governance structures, and gives a first insight into dynamics and family relationships on boards. Thereby providing fresh insights that need to be further explored. However, more multi-level analysis is required to examine SMFBs (see also Aguinis et al., 2011; Cronin et al., 2011; Dalton and Dalton, 2011). Cross-disciplinary research, for example examining the psychological and sociological aspects of boards, might yield further insights into the deep, nested and complex relationships that exist therein. This thesis has taken some initial steps towards this.

Future research should seek first to develop a more detailed contextual understanding of each board type before employing output-input models to identify similarities between boards within a given context. It is important that in investigating context, researchers do not employ terms or descriptions (e.g. 'phantom board' or 'does nothing') that have negative connotations, as this may influence respondents' answers. In this research, every director interviewed expressed concern that they or their board might not be 'normal' or interesting compared to other boards. Any research design must take into account this reluctance to speak and insecurity among directors.

While beyond the scope of this research, another a recurring theme throughout the interviews was trust. It would appear that though family closeness was examined this did not necessarily relate to trust: in Case 1 (Rhubarb Buses), the family members were not particularly close, but they nevertheless trusted each other; the directors of Smith Furniture (Case 6) were close and trusted each other; while those in Case 7 (Logistics) were close but showed less trust. In each case, there was a clear separation between family (blood relatives) and married in or non-family trust and closeness. Future research is needed to develop a deeper understanding of board room trust. This follows the research direction also suggested by Eddlestone et al. (2010).

6.4.1 Developing the SMFB model

The fourth objective of the study was to develop a family business board model, based on original evidence, which might add to our understanding of how SMFBs function.The model developed in this study can now be used with further qualitative or quantitative techniques to examine a larger sample and different contexts. Developing a quantitative research design should allow verification and further development of the model. The framework allows for clear differentiation of boards while enabling them to be compared more easily. Researchers might examine how the variables identified in the model influence the board in their aim to satisfy the family, the ownership and the business. For example: An aims analysis comparison tool could be developed (see Appendix P). Further, the SMFB Model, could be used to identify individuals aims and values, and how see how these change with the generation or stage of the business and the external environment. Other approaches could include developing the model into the sphere of capital. For example: human capital, social capital, organizational capital, intellectual capital and patient capital.

6.4.2 When should an SMFB have a formal board?

The second objective of this research was to identify the various roles played by boards of directors in SMFBs in the UK. This objective opened up several questions: At what point should SMEs institute a formal board? Should it be done at the beginning, as in Case 1, or when turnover has reached a certain point (as in Case 3)? The board of directors in a family business has a key influence, but what influences it? What makes an effective board of directors; indeed, how does a family business define effective in this context?

There is no consensus, in academia or practice, as to when a business needs a board or is ready for a board. The case company directors, consultants and best practice all suggest that a company has to be ready for a board for it to want a board. On one hand, the founder of Motorhomes was ready for a board from the outset, seeing it as a way to grow his company; on the other, Mountain Dew's founder initially refused to have a board or to listen to top management as he did not want to lay off staff. He was not ready for a board until he had to rebuild his company, but he has now put a board in place to prevent a repeat of the previous loss of staff and financial implications. The study shows that to be ready for a board, companies must have trust and clear aims. They must be ready to embrace formal procedure, perhaps sacrificing some of their former flexibility, and to accept changes to the decision-making process and the relinquishing of control by the owner-manager. Just as setting up a business and then running it require a specific skill sets, so too does running a board so that it operates to the strategic advantage of the company. The consultants suggested that boards that exist solely to verify the founder's existing beliefs (rubber stamp boards) are of no value. Rather, boards should bring together a range of participants who have the education, knowledge and experience to challenge the founder's assumptions and strategies, and who can exploit their networks to increase shareholder value (which in this context encompasses not just financial return but also the protection of family employment and lifestyle and the passing on of values and legacy). Different skills are needed at different stages of the business. While the founder/g1 might require entrepreneurial vision and start-up skills, different attributes and skills are required to manage the business and the growing family and to direct the business strategically. Therefore, having a board increases the range of skills available to the company.

Researchers suggest that boards are a necessary governance tool (Calabrò and Mussolino, 2013; Coulson-Thomas, 2007c, IOD, 2011) which add value (Coulson-Thomas, 2007b) , but in practice, family businesses faced with financial and bureaucratic constraints have found other solutions. This thesis shows that some businesses have alternative governance structures because they do not want to let externals in or give up control, or because they do not feel ready to have a board. While other cases suggested a target turnover or size before wanting a board or to grow their board. Professional advisors suggest having a sounding board if the company cannot afford a full board. Directors can still attend courses, which may help reduce any feelings of isolation, but they retain the power to make decisions without any external input or risk of confrontation. Another alternative is to use an external board. Companies even exist that offer 'virtual' boards; these add value without being costly or bureaucratic to the founder. These alternatives indicate that, notwithstanding their desire to avoid outside interference, many owners need to seek the opinions of others they feel are in a similar situation to themselves. However research on when and how to SMFBs have a formal board is limited and more research is needed as to when should an SMFB decide or need a formal board or governance system.

6.4.3 Women on FB boards

Although Martin et al. (2010) found that SMEs in the UK have a higher proportion of female directors than larger companies – they suggested 40% of board places are taken by women in SMEs – this was not borne out by the current study. Even using purposeful sampling, it was not possible to locate a mother-daughter board willing to participate in the research. There were no mother-daughter dyads in the case companies. Further research is required into female dyads on boards and their dynamics. This would build on this research and add to the SME and SMFB mainstream research, which argues that having women on the board either makes no difference to firm performance (Rose, 2007) or raises it (Smith et al., 2006).

6.4.4 Different methodological aspects

Similar to previous research, this study focuses on interviewing directors but then using their own voices to narrate their lived stories. Future research could use different methodologies; for example, video recording board meetings, or taking notes on protocol during board meetings and in pre- or post-meeting discussions. Existing systematic, observation-based boardroom investigations (e.g. Samra-Fredericks, 2000a; 2000b; Huse, 2005) aim to increase understanding of how boards work by outlining the characteristics of board meetings and exploring directors' interactions during discussions of agenda items. Future studies might go further, employing psychological measures such as Belbin's team role analysis to explore group dynamics in boardrooms. Examining family dyads, relationships, processes and meeting styles might be a new way to examine boards in order to further distance oneself from the normal input-output orientated models and to develop the field further. Using different methodological approaches might further develop research avenues on directors' formal and informal roles, how boards focus their time and how relationships and individual directors develop over time and how this impacts the boardroom. Handler (1990) highlights that different methodological approaches can contribute significantly to both the theory and practice of family firms. This builds on the second objective, which in Chapter 2, demonstrated the homogenous treatment of boards and the need for more contextual board research.

6.5 Limitations

As with all research, this study has some limitations. The thesis aimed to provide an understanding of the diverse approaches to governance using narratives as original evidence and has fulfilled its objectives to varying degrees. Gaining access has been an ongoing and frustrating problem. Arguably, the businesses that have taken part may have done so because they subscribe to certain values (i.e. a belief in education); in other words, it may have been a self-selecting sample. Qualitative research often employs purposeful sampling as a way of ensuring that the chosen cases are information-rich and will yield insights into the questions being investigated (Patton, 1990). In this research, cases were selected on the basis of their interest and willingness to participate. Directors were also asked to recommend and to facilitate contacts with other potential participants (snowball sampling) (Patton, 1990). The purposeful sampling technique produced a range of cases that were all family run, family owned and family controlled but which differed in terms of generational stage and sector. Each case was chosen for its differentiating qualities (see Table 3.1 for rationale). The limitations and their relevance to the overall objectives have been divided up into methodological limitations and researcher limitations.

6.5.1 Methodological limitations

There is no single way to do narrative research, just as there is no single definition of narrative. Riessman (2008:155) emphasizes that the field of narrative research is characterized by extreme diversity and complexity.

<u>Interview bias</u>

Semi-structured interviews have various limitations. The directors being interviewed may have wanted to promote a certain image of themselves or their company, and they may have thought the researcher was looking for certain 'text book answers'. A number of directors commented that they hoped they had answered correctly, that they did not know if they had been of any help to the research and they were surprised by how much they had had to say about themselves and their company. This desire to please the interviewer by saying the 'right' thing may have influenced their responses. The risk of bias is even greater when participants are interviewed together, as they were in a couple of cases (e.g. as a couple or with other family members); arguably, the influence of a third party in these interviews may make the data less reliable. Previous research by Balderson and

Boderick (1996) discuss that women perceive themselves 'significantly more so than men', meaning that the way in which women answered may be more aware than the male directors.

Where directors lacked knowledge, the data gained was limited. The directors in Cases 1 and 7 had previous experience of working in big FTSE100 and FTSE350 companies. Their experience of working in professionally run, process-orientated organizations influenced the way that they worked and how they talked. In contrast, directors who had only a limited knowledge of the Companies Act 2006 (including their rights and responsibilities as directors) were obviously not able to give an informed opinion on its relevance to their company and board. Loyalty to the company or family, the desire to present the company in a good light and embarrassment at their lack of knowledge may all have influenced their responses.

Nearly all of the interviewees expressed self doubt either before or after their interview: '*I do not know if that was helpful at all* (Mountain Dew); '*I will see if I can help*' (Rhubarb Buses); '*I hope that I don't disappoint!*' (Jackie). Their hesitation begs the question: How do directors see themselves? Researchers including Ashforth and Mael (1989) and Hillman et al. (2008) suggest that director social identity is likely to be related to their individual and social identities. Hillman et al. (2008) using as identity theory argue that directors' identities link to the identification to the board roles they fulfil as they hold possible multiple personal roles (e.g. mother, sister) and social (e.g. MD or HR director). Therefore, it is unclear when interviewing them from which perspective they might be speaking and seeing themselves (e.g. loving mother or shrewd finance director). Their perceptions of themselves and their board might therefore be influenced by their formal job title (such as Chairman or Company Secretary) and their informal role as much as their background, education and aims (Bonnet et al., 2013). As the researcher was not able to gain access to the boardroom to observe the board meetings and interactions, it was not possible to independently verify whether the directors' perceptions were accurate.

Sample bias

A number of people refused to be involved in the research; thus, the sample may have been biased towards those with a more positive attitude towards family business, research and boards.

Belbin (1993) identified six stages in the development of any team and showed that different roles prevail at different stages. Aritzeta et al. (2007) also suggested that certain roles predominate in different stages. However, as this study did not test for team stage, it is possible that the sample may have been biased in this respect. Despite the use of purposeful sampling, it was impossible to locate a mother-daughter board. This missing perspective could also be seen as a limitation.

In most cases, only selected board members were interviewed. It is argued throughout the thesis that it was not necessary to interview all board members, but it could equally be argued that this position assumes that all the directors in the case companies were aware of their roles and responsibilities in practice and in law. While this was true in Case 1, it was not always the case in the other companies. In retrospect, interviewing more board members might have highlighted different dynamics on the board and added to the data, though it is unlikely it would have changed the overall findings.

The ambiguity surrounding how family businesses should be defined may itself be a limitation, since others might argue that some of the case companies should not be defined as family businesses at all.

6.5.2 Researcher limitations: personal bias

Bias may arise from a number of sources, including the gender and nationality of the researcher. In this case, the researcher is British but grew up in Germany, and this has influenced her cultural beliefs and behaviour. Their gender or background may make the researcher prone to certain preconceptions (Saunders, Lewis and Thornhill, 2007::117), or bias their or their participants' perceptions (Beall, Eagly, and Sternberg). For example, men may not want to talk to a female researcher (the old boys' network still exists) and may be less likely to take her or her research seriously. Family businesses are particularly difficult to penetrate; relationships might be influenced, positively or negatively, by the manner of the researcher's entry – that is, which individuals or organizations introduce them into the family network.

This personal bias could be linked to the sample bias. The sample is in effect a convenience sample and to some extent self-selected. In other words, the businesses that took part probably did so because they had a positive attitude to the researcher and/or her subject. The IFB (2011) has said that businesses generally refuse to participate in research because they suspect the motives of the researcher, do not believe the researcher's assurances of confidentiality, or they fear that it is merely a prelude to the selling of services. The boards that took part in this research may have been predisposed to participate because of the company culture, or the directors' own educational experiences and beliefs, but some may have been swayed by the fact that they already knew and trusted the researcher. This made it easier to build a rapport and gain a deeper insight into directors' perceptions, though might also have made them more inclined to put a positive spin on things thus adversely affecting the responses.

From the other direction, the researcher's own assumptions about how boards should operate have been formed through her experience of coaching and teaching boardroom seminars and her work as a researcher and consultant at a bank specifically for family businesses. Her work in companies that are geared towards selling services (board consultancy and family business consultancy) may have also influenced her behaviour, attitudes and consequently her selection of cases.

6.6 Overall conclusions

This thesis sets out to examine the diverse governance structures of SMFBs in the UK and their dynamics. SMFBs, which are so crucial to the UK and the global economy, have different governance structures and different financial and non-financial aims from non-family businesses.

The introduction discusses the importance of family businesses and the mixed results yielded by previous research on governance. Chapter 2 identifies the key themes of the study, which led to the guiding concepts and influenced the choice of methodology, which is explained in Chapter 3. The chapter discusses the difficulty of gaining access to FB boards and the ethical issues surrounding the research. The study adopts the framework developed by Astrachan et al. (2008) to understand what happens within the board of directors and how roles and personalities interlink. Data was gathered by means of semi-structured qualitative interviews with directors and consultants. The data-gathering process confirmed previous researchers' (e.g. Pettigrew, 1992) observations that gaining access is very difficult. Unlike previous 'input-output' research, the study relies on directors' own narratives to reveal their feelings and how they see their role. This made gathering information doubly difficult, not only because directors needed to be knowledgeable and self aware but also because many were inclined to present themselves and their board in the best possible light.

Chapter 4 presents the directors' narratives, while Chapter 5 analyses the primary data and compares it to previous research. The results support other researchers in identifying that family businesses are unique in their make-up, which can be influenced by the family structure, and that business and board dynamics vary depending on the formal and informal roles assumed by individuals within the business. This research suggests that, contrary to previous assumptions, boards are too complex to be looked at using simple input-output models. In the case of SMFBs, the age of the business may not influence the level of professionalization and decision to have a board as much as the family stage and aims, both financial and non-financial. Different relationship dyads affect board behaviour in different ways. Further research could help gain a deeper understanding of boardroom dynamics. This research could further aid the research as to when and how businesses should develop a formal governance structure with more rigid structures, as this research has shown that decision making occurs within and outside of the boardroom, irrespective of the formal board. It supports Huse's (1998) finding that: 'The work of the board goes on outside as well as inside the boardroom. There is an ongoing dialogue, not just among the directors but also between the directors and the management; the discussion extends to a large number of internal and external stakeholders' (p.221). The research encompasses a broad range of boards, which has added to the richness of the data. However, while the cases were chosen for their differences, a number of similarities were identified.

The study demonstrates that analysing the complex and evolving relationships which influence boards is made easier with the right methodology. The themes were identified using a different research methodology than traditional governance research. The advantage of the interpretive approach is that it is able to highlight the dynamic and interaction on boards.

The boards in the case companies were created to suit the particular needs and aims of the founder/owner(s) which can then be influenced by the agenda during formal and informal meetings. Directors' background and education appear to have a significant impact on their ability to separate their formal and informal roles. Using dyads, this research has also highlighted that the initial findings of personal relationships (father-son, mother-daughter, sister-sister) can be very different from each other. However, more board room research is needed into these personal relationships. The study has also presented that businesses and directors interpret the role and responsibilities of directorship in very different ways, despite the Companies Act 2006 setting out clearly defined roles for directors. How SMFBs interpret these requirements is reflected in the type of governance structure they choose. This research highlights that while boards are not necessarily old boys' networks, nepotism is rife and personal contacts play a key role. Boards are built around the family's needs and aims; these appear to be related less to company size than to the personality and awareness of the founder; which in turn can be influenced through education and experience. The study shows that the depiction of homogenous boards by policy makers, best practice guides and academics as challenging and enquiring environments is not necessarily accurate. The dynamics of the board are affected not just by interactions within the boardroom but by a wider network of family (and non-family) actors. A board that shares common goals is more likely to work as a team. At the same time, it needs a diverse skill set and the ability to upskill as necessary to respond to new challenges. All this means that directors need to be educated, aware of their responsibilities and able to work collegially.

The study yields new insights into the complex and continuously evolving relationships and subgroups which influence board dynamics, highlighting that these dynamics differ from those observed in non-family boards because the aims of FBs and non-FBs also differ. Neither the boardroom, the discussions nor the roles are isolated to one place or time which influences the board and its wider context. While this research contributes to knowledge by highlighting the diversity of SMFB boards in the UK, further research is needed to identify the impact of family dyads and of family stage. This research classifies FBs by generational stage rather than the age of the business as this allows more useful comparisons to be drawn. It presents an original SMFB board model which can aid researchers, practitioners and policy makers to identify the level of board engagement in a way that has not been envisaged in previous research. The results of this thesis confirm in some respects previous research, that while access to boards for research is challenging.

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8 Appendix

Table of Appendices

A. Appendix

The Relative Power of CEOs and Boards of Directors 137

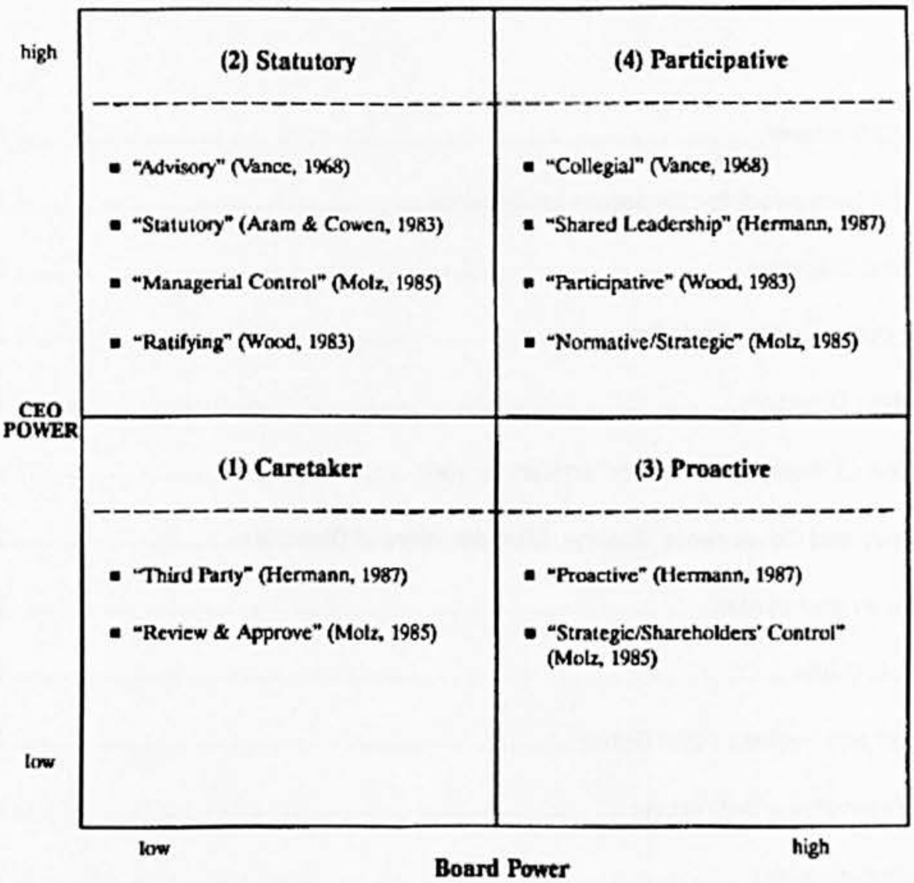


Figure 1. Board of director typology

Appendix A - Types of CEO power

Soure: Pearce, J. A. and Zahra, S. A. (1991)

B. Appendix

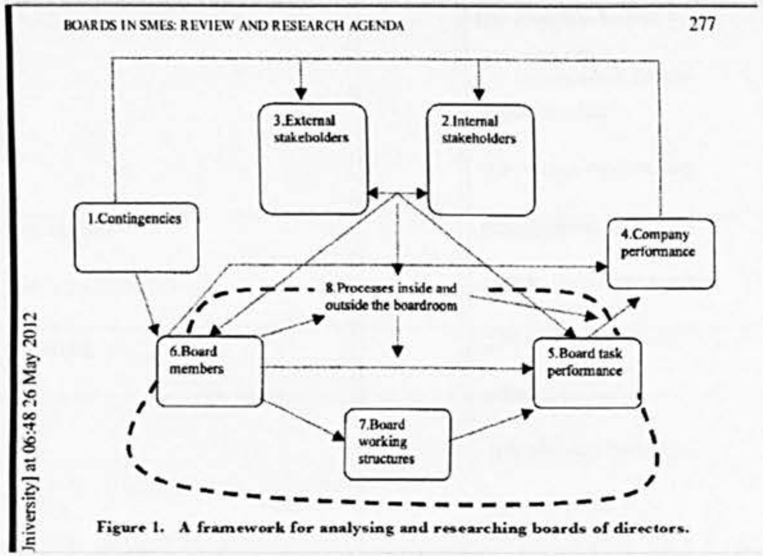
Perspectives	Rationale	Role and activities	Composition	Attributes	Expected results	Research
Legalistic approach	To fill in a normative gap and answer to critics on local policies	Dialoging with authorities, acting as a spokesperson: interpreting demands	Vague and open, problem of stability	Problem of legitimacy Cohesiveness Cognitive conflict	Ambiguous, not specified	Zahra &Pearce (1989) Berle & Means (1968) Mace (1971)
Agency theory	Agent and principals do not have the same interests, there is no consensus	Control Evaluation Monitoring	Outside stakeholders, mainly	Lack of power Legitimacy Presence of specific knowledge Cohesiveness	Alignment between agents and principles	Eisenhardt (1989) Fama & Jensen (1983) Jensen & Meckling (1979)
Stewardship theory	There are no conflict interests between agent and principles, consensus exists	strategy Service	Inside stakeholders, mainly	Power concentration Cognitive conflict with the outside	Enhancing the role of agents	Donalsdson& Davis (1989, 1991, 1994) Fox & Hamilton (1984)
Stakeholder approach	Without the support of different groups of stakeholders the firm will cease to exist	Legitimating Advice Control/Monitoring	Different stakeholders both internal and external, problem of stability	Legitimacy Power distribution Cohesiveness Cognitive conflict Effort norms	Different results for different stake holders	Freeman (1984) Donalsdson & Preston (1995)
Resource dependency theory	Emphasis is on dependencies. The Board of Directors can work to span boundries and as a key to	Service Intermediary	Heterogenous, orientated to increase external contacts	Cognitive conflicts with external actors Problems of legitimacy	Degree of openness reached for the company, degree of internationalisation,	Pfeffer (1972) Schmidt (1949)

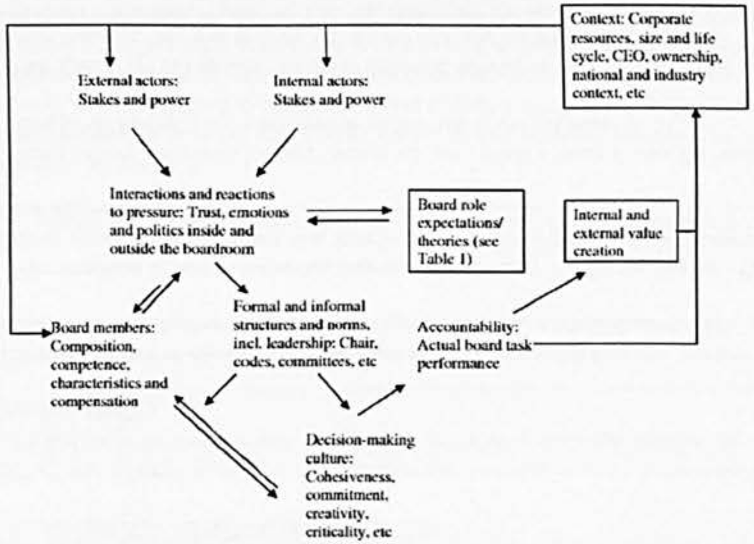
	external resources	Catalyt Reduce uncertainty Diffuse information			attraction of investment	
Resource-based theory	Emphasis is on interdependencies. The Board of Directors can constitute an important resource for the company	The Board of Directors is a resource in itself or act as a collective of local resources	Heterogenous, orientated to increase the presence of knowledge	Presence of knowledge Use of knowledge	An effective use and an increase in knowledge, competencies and resources of the Board of Directors	Peteraf (1993) Barney (1991)
Intra-class/Hegemony theory	Board of Director inner circles	To defend, represent, support the intentions of one class	Homogenous, internal stakeholders, exclusively, high stability	Cohesiveness Power accumulation Legitimacy	To perpetuate the hegemony of one class, one actor, one time	Useam (1984) Pettigrew (1992)

Appendix B - Theoretical framework for corporate governance

Source: Alberti's (2001a, 2001b)

C. Appendix





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Appendix C Huse Board Diagrams

D. Appendix

Women in FB lit review

References	Country	Role(s)	Role description
Salganicoff (1990)		The caretaker	"[y] women are socialized to nurture, having modeled themselves after their mothers' caring role. They seem to define themselves in terms of their relationships with others and fear separation from them" (p. 129)
Hollander and Bukowitz (1990)		The over-nurturer The invisible woman	"The concept of over-nurturing is intimately associated with the concept of mothering. We have used the term over-nurturer to describe excessive immersion in this role and to emphasize that over-nurturing is too much of a good thing rather than too much of a bad thing" (p. 142) "In the family business, many women find that they are not viewed by others, whether in the business or outside, in the same way as male members of the business. For some, the degree to which they are not considered makes it seem as if they were simply not there – as if they were invisible" (p. 143)
Poza and Messer (2001)		The jealous spouse The chief trust officer The business partner or copreneur The vice president of human resources, finance, and facilities The senior advisor and values keeper The free agent	[Jealous spouse] "[y] many spouses experience jealousy and live a life where competition with the business for time and affection is a prominent theme" (p. 29) [Chief trust officer] "Some spouses see their major contribution to the family-owned business as providing the glue that keeps the family together through the predictable challenges families, especially families that work together, face" (p. 29) [Business partner or copreneur] "Some spouses are critical to the business, whether through their financial investment in the business or their professional, technical, or administrative skills" (p. 30) [Vice president of human resources, finance, and facilities] "Unlike the Business Partner, this spouse acts as a trusted employee, not an owner and, therefore, limits contributions and involvement to the function or project that he or she performs." (p. 30) [Senior advisor and values keeper] "Senior Advisors instill a sense of what the business stands for and what it means to the family. They often have no visible role in the business" (p. 31) [Free agent] "[y] this spouse chooses to grow and develop an identity that is very separate from the CEO and the family business. 'My role is being me, not the wife and not the mother' " (p. 32)

Curimbaba (2002)		The anchor The invisible heiress The professional heiress	[Anchor] "With great visibility inside the family business, the heiresses became essential for its continuity, in spite of passing through phases that demonstrated a tendency to reduce their significance. Nonetheless, they were never considered completely unnecessary" (p. 247) [Invisible heiress] "they were not seen as necessary to include in the successor managerial staff. Where there were a number of men in the family, the daughters were clearly not prepared from the time of their youth to be professionals in their family businesses." (p. 246-7). [Professional heiress] "Women assigned to this group worked at mature companies with complex ownership structures, where a reasonable number of family men worked, but not an overwhelming majority. The female heirs had recognized opportunities" (p. 245)
Barrett and Moores (2009a, b)		The entrepreneur	"[y] women who start new ventures they see as family firms, or who act entrepreneurially in existing. FCB" (p. 367)
Dumas			
Cole			

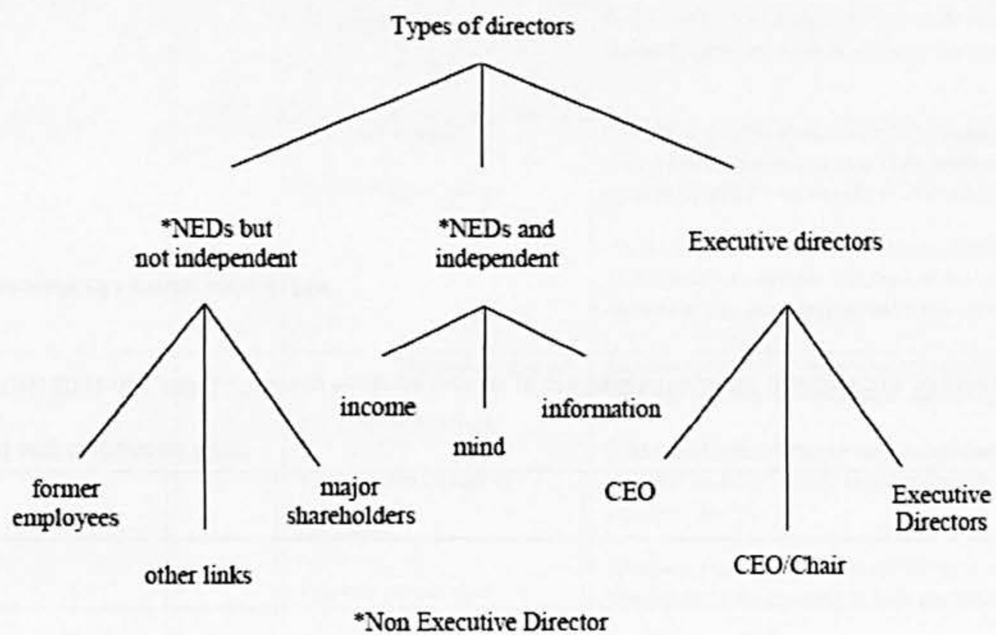
Edited, adapted and enhanced from

Cecilia Bjursell, Lisa Bäckvall, (2011),"Family business women in media discourse: the business role and the mother role", Journal of Family Business Management, Vol. 1 Iss: 2 pp. 154 – 173

Appendix D – Summary of women roles in FBs

E. Appendix

Categories identifying different types of directors

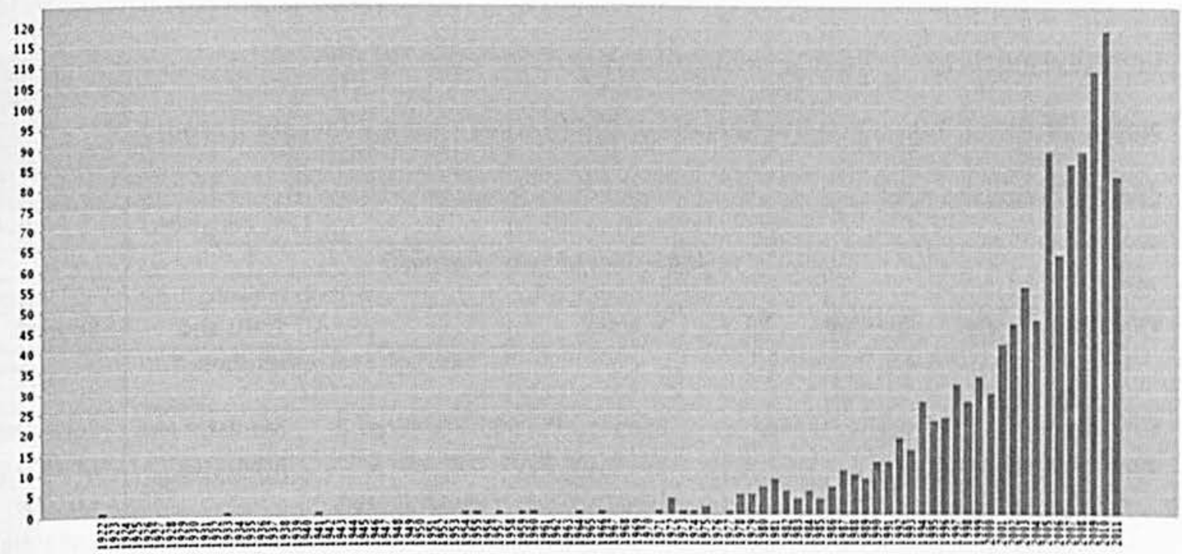


Source: McCabe, Nowak, 2008, p. 550

Appendix E - Independent Directors

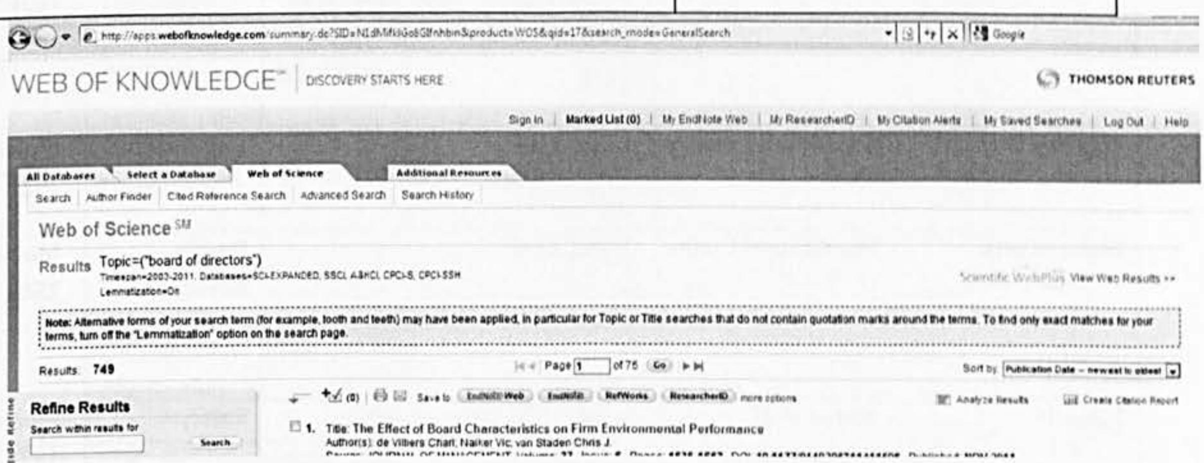
Source: McCabe and Novak (2008)

F. Appendix



Visual representation per year of published journal articles on Boards of Directors

Topic=("Board of Directors") Timespan=1970-1980	63 results
Topic=("Board of Directors") Timespan=1981-1991	97 results
Topic=("Board of Directors") Timespan=1992- 2002	416 results
Topic=("Board of Directors") Timespan=2003- 2011	749 results
Total	**1325 results**



Appendix F - Distribution of 'Boards of Director' articles by year

Accessed at:

http://apps.webofknowledge.com/summary.do?SID=N1dMifklGo8GIfnhbin&product=WOS&qid=17&search_mode=GeneralSearch (06.11.2011)

G. Appendix

Investigating the Antecedents and Implications of Role Conflict for

Non-Executive Directors on Boards of Unlisted Family Firms: A Conceptual Model

Collette E. Kirwan* p. 13

Multiple roles of Board members				
Theory based roles	**Theories**	**Sources**	**Traits and attributes**	**Sources**
Control and monitoring role	**Agency theory**	Blumentritt, 2006; Brunninge & Nordqvist, 2004; Corbetta & Salvato, 2004a; Fama & Jensen, 1983; Fiegener, Brown, Druck & Dennis, 2000; Hung, 1998	**Mediator and arbitrator**	Ford, 1988; Mace, 1971, Mueller, 1988; Ng & Roberts, 2007
Strategic and advice role	**Stewardship theory**	Brunninge & Nordqvist, 2004; Corbetta & Salvato, 2004a; Fiegener et al., 2000; Ford, 1988; Gabrielsson & Huse, 2005; Hung, 1998; Sundaramurthy & Lewis, 2003	**Discipline**	Mace, 1971
Linking or resource role	**Resource dependency**	Blumentritt, 2006; Corbetta & Salvato, 2004a; Daily et al., 2003; Fiegener et al., 2000; Ford, 1988; Gabrielsson Huse, 2005; Hung, 1998	**Confessor**	Mace, 1971; Mueller, 1988
Coordinating	**Stakeholder theory**	Hung, 1998	**Gap-filler**	Mueller, 1988
Maintenance	**Institutional theory**	Hung, 1998	**Devil's advocate**	Mueller, 1988
Support	**Managerial hegemony**	Hung, 1998, Jonsson, 2005	**Catalyst**	Mueller, 1988

Appendix G - Role Theory and Governance Theory- Multiple roles of Directors

Soure: Kirwan. and Brennan (2010)

H. Appendix

List of EU countries (Alphabetical Order)

Country	Corporate Governance Code (CGC)/ legislation	Quota	Consequences
Belgium	Legislation 2011	30% women	
Denmark	CGC: consider diversity	Under discussion	
Finland	CGC: at least one man and one woman		Comply or explain
France	Legislation 2010	20% women by 2013 40% women by 2017	Nominations voided; Directors' fees suspended
Germany	CGC: consider diversity	Voluntary targets for 30 largest companies	If voluntary rule does not work, government may impose quotas
Iceland	Legislation 2010	40% for each sex by 2013	
Italy	Legislation 2011	30% women	
Netherlands	CGC	Under discussion	
Norway	Legislation	40% women	Sanctions, fines, or closure
Poland	CGC recommends balanced representation		
Spain	Legislation	40% women by 2015	Compliant companies given priority for government contracts
Sweden	CGC: strive for equal gender distribution		Comply or explain
UK	CGC: give "due regard" to diversity – Lord Davies review (2011)	Voluntary targets (2015)	Comply or explain

Appendix H - EU countries and quotas

Source: Adapted from ORC Networks (2011)

I. Appendix

Initnial

Family Business Topic Guide

Interviewers need to be aware of respondent's level of anonymity before the interview.
Once again, thank you very much for taking the time to let me come to speak to you as part of my PhD research on Boards of Directors in Family Businesses. We have previously confirmed that you work in a Family business. Today, I am particularly interested in understanding the company, the role of the Board, especially your role and your view of different dynamics within the boardroom and company. As discussed, if there are any questions you are uncomfortable with or do not wish to answer, you can say so at any time. I am recording this interview, for my own personal use so that I can later transcribe and can give you my full attention during the interview. If there is anything you would like me not to record, I am happy to stop recording. Similarly, if there is anything you say, which you would like taken from the recording I will do so. The interview is divided into 5 sections: the context setting such as the background of the business, you as an individual, then the family, the future and the Board. We may jump between these themes as well. Are there any questions you have before we start?

Respondent/company context:

To begin, I would like to ask you some background questions about the business and yourself.

Business

1. Could you please describe your business, its sector, and its history?
    1.1. Directors, turnover and employees
    1.2. History of company – founded, milestones

Individual

2. Could you please describe your career path?
    2.1. Childhood – any FB influence?
    2.2. education
    2.3. career?

Family

3. Does working in a family business effect your private life?
    3.1. specific times when you have meetings or discuss business things?
    3.2. Does it influence your work life balance?
    3.3. Are your relationships affected?
        3.3.1. your partner?
        3.3.2. your children?
    3.4. Are other family members involved in the business?
        3.4.1. Their role

Family Future

4. What is the future of the family business?
    4.1. expansion plans?
    4.2. succession plans?

Board and Board of Directors

I would now like to move on to some questions about the Board, its structure, dynamics and how it makes decisions. (Note to interviewer: It is essential to obtain as much detail as possible as to the interaction and process of events to indent trends) *I have sub-divided this section into context, processes on the Board and opinion.*

Context

5. **When did the present Board date from and how** has the company and the Board evolved?
   5.1. Number of Board members
   5.2. Number of meetings - location
   5.3. How where they elected/found?
   5.4. Differences between gender or fb-nonfb – attendance, preparation?
   5.5. How or who sets agenda
   5.6. any re-current themes or issues within the Board?
   5.7. Training or feedback for the board
6. I am describing Board of Directors as a team would you agree or disagree with that? Why?

Women, non-executives and family members on Board

7. Do you think having a <u>woman</u> there alters mood or emotions of a board of Directors? How?
   7.1. Do women differ in their approach to men? (ie Preparation? Conducting a meeting? Reaching decisions?) – if possible, if there are more/less women how does that affect you? And the Board?

8. Do you think having <u>non –executives</u> there alters mood or emotions of a board of Directors? How?
   8.1. Do non-executives differ in their approach to men? (ie Preparation? Conducting a meeting? Reaching decisions?) If possible, if there are more/less non-executives how does that affect you? And the Board?

9. Do you think having <u>family/ non-family</u> alters mood or emotions of a board of Directors? How?
   9.1. Do family and non-family differ in their approach to men? (ie Preparation? Conducting a meeting? Reaching decisions?) If possible, if there are more/less women how does that affect you? And the Board?

10. Do you find you or other Board of Directors assume a certain roles within a Board meeting?
   10.1. Give examples. Have these changed over time?

Women on Boards

As you are a woman, I now want to ask a few questions about being a women on a Board of Directors. (Note to researcher only ask this section if female Director, otherwise skip to next section)

11. Your own personal experiences
   11.1. Are there many women in your industry?
   11.2. How do you feel if you are the only women board? If there are more women how does that affect you?

12. Do you feel there are barriers for women? (ie. glass ceiling? Queen bee? Children Work life balance?)

To conclude, I would like to ask you if you any other comments. If you feel there is a different issue which I have not asked about please feel free to point this out.

13. Other comments or thoughts

13.1. Any other comments regarding Board of Directors, team or women in business?

Thank you very much for your time. If you would like a copy of the results, or my academic work or you would like to contact me for any reason. I will leave you my contact details. Thank you again.

Appendix I – Initial Topic Guide

J. Appendix

Family Business Topic Guide

Interviewers need to be aware of respondents level of anonymity before the interview.

Once again, thank you very much for taking the time to let me come to speak to you as part of my PhD research on Boards of Directors in Family Businesses. We have previously confrimed that you work in a Family business. Today, I am particularly interested in understanding the company, the role of the Board, especially yur role and your view of different dynamics within the boardroom and company. As discussed, if there are any questions you are uncomfortable with or do not wish to answer, you can say so at any time. I am recording this interview, for my own personal use so that I can later transcribe and can give you my full attention during the interview. If there is anything you would like me not to record, I am happy to stop recording. Similarly, if there is anything you say, which you would like taken from the recording I will do so. The interview is divided into 5 sections: the context setting such as the background of the business, you as an individual, then the famil, the future and the Board. We may jump between theses themes as well. Are there any questions you have before we start?

Respondent/company context:

To begin, I would like to ask you some background questions about the business and yourself.

Business

1. Description of the business?
2. Who works there? Directors
3. Turnover and employees and gender
4. Brief history of company

Individual

5. What is your background?
   - 5.1. childhood
   - 5.2. education
   - 5.3. career
6. How is your family made up? And what is their occupation?
7. What was your motivation for starting a family business?

Family

8. How does having a family business affect your private life?
9. Do you have specific times when you have meetings or discuss business things?
10. How does it influence your work life balance?
11. How does it affect the relationship with
    11.1. your partner?
    11.2. your children?
12. Are there any women involved in the family business?
13. What is the womens role?
14. What is your opinion on women working and being involved?
15. Are there any children involved in the family business?
16. What is the children role?
17. What is your opinion on children working and being involved?

Family Future

18. What is the future of the family business?
19. Do you have any type of expansion plans?
20. Do you have any type of succession plans?
21. Do you think the role of women will change in the future of your organisation? Why?

Board and Board of Directors

I would now like to move on to some questions about the Board, its structure, dynamics and how it makes decisions. (Note to interviewer: It is essential to obtain as much detail as possible as to the interaction and process of events to indent trends) *I have sub-divided this section into context, processes on the Board and opinion.*

Context

22. How many people are on the Board?
23. How did you get elected? (How long have you been there?)
24. What experience do you have at Board level?

25. I am describing Board of Directors as a team would you agree or disagree with that? Why?
26. Is generally a member who is better prepared, ie HR director etc? Why do you think that is? (personality? Gender? Etc)
27. Who is generally better prepared, men or women?
28. How many meetings have you attended/not attend? (ratio)
29. Do men or women miss more meetings?
30. Do family members or non family members miss more meetings?
31. Have you ever tested/given feedback on being on a board?
32. Have you done any training/courses with regard to being on a board?
33. Do you have any re-current themes or issues within the Board?

Women, non-executives and family members on Board

34. Do you think having a <u>woman</u> there alters mood or emotions of a board of Directors? How? Do women differ in their approach to men? (ie Preparation? Conducting a meeting? Reaching decisions?) – if possible, if there are more/less women how does that affect you? And the Board?

35. Do you think having <u>non –executives</u> there alters mood or emotions of a board of Directors? How? Do non-executives differ in their approach to men? (ie Preparation? Conducting a meeting? Reaching decisions?) If possible, if there are more/less non-executives how does that affect you? And the Board?

36. Do you think having <u>family/ non-family</u> alters mood or emotions of a board of Directors? How? Do family and non-family differ in their approach to men? (ie Preparation? Conducting a meeting? Reaching decisions?) If possible, if there are more/less women how does that affect you? And the Board?

37. Do you find you or other Board of Directors assume a certain role within a Board meeting? Give examples

Women on Boards

As you are a woman, I now want to ask a few questions about being a women on a Board of Directors. (Note to researcher only ask this section if female Director, otherwise skip to next section)

38. Your own personal experiences
    38.1. Are there many women in your industry?
    38.2. How do you feel if you are the only women board? If there are more women how does that affect you?
39. Do you feel there are barriers for women? (ie. glass ceiling? Queen bee? Children Work life balance?)

Opinions

In this section I would like to ask you your opinions on a range of subjects. If you feel there is a different issue which I have not asked about please feel free to point this out.

40. Do you think your Board is working at maximum capacity? If not, how could it be improved?
41. Family Businesses?
42. Quotas? (gender, ethnicity etc)
43. Tokenism? (gender, ethnicity etc)
44. Do you think the way Boards work, function elect Director has changed in the last 5-10years – if so how?

To conclude, I would like to ask you if you any other comments.

45. Other comments or thoughts
    45.1. Any other comments regarding Board of Directors, team or women in business?

Thank you very much for your time. If you would like a copy of the results, or my academic work or you would like to contact me for any reason. I will leave you my contact details. Thank you again

Interview structure based on the below themes:

2.2	Contextual background: SMEs
2.2.1	Defining SMEs
2.2.2	Governance worldwide
2.2.3	Family businesses
2.2.4	The objectives of family businesses
2.3	Corporate governance or governance?
2.3.1	Governance in SMEs
2.3.2	Governance in SMFBs
2.4	The Board of Directors
2.4.1	Boards and governance
2.4.2	The Companies Act
2.4.3	The roles and duties of directors in the UK
2.4.4	The Board's duty to shareholders
2.4.5	The Board's objectives
2.4.6	Board roles
2.4.7	Board classifications
2.5	Inside the boardroom
2.5.1	Executive diversity on boards
2.5.2	Family diversity on boards
2.5.3	Gender diversity on boards
2.5.4	Board processes
2.5.5	Board size
2.5.6	Director tenure
2.5.7	Behaviour
2.5.8	Decision making
2.5.9	Board meetings
2.5.10	Agendas
2.6	Theoretical background
2.6.1	Theoretical lenses
2.6.2	Market Model versus Control Model
2.6.3	Systems theory

Appendix J – Developed and evolved Topic Guide

K. Appendix

Element	References
Common Purpose	Katzenbach and Smith, 1993; Hastings et al., 1986; Woodcock, 1989; Higgs et al., 2005; Lichtenstein et al., 2005
Interdependence	Ray and Bronstein, 1995; Woodcock, 1989; Belbin, 1993; Higgs et al., 2005
Clarity of Roles and Contribution	Critchley and Casey, 1984; Ray and Bronstein, 1995; Katzenbach and Smith, 1993; Higgs et al., 2005; Aritzeta et al., 2005
Satisfaction from Mutual Working	Katzenbach and Smith, 1993; Hastings et al., 1986; Belbin, 1993
Mutual and Individual Accountability	Katzenbach and Smith, 1993; Aritzeta et al., 2005
Realisation of Synergies	Katzenbach and Smith, 1993; Higgs et al., 2005
Empowerment	Ray and Bronstein, 1995; Tjosvold, 1991

Appendix K – Teams – Identifying Definitions

Source: Higgs (2007)

L. Appendix

	Pearce and Zahra 1992 (p.412-13)	Finkelstein and Hambrick 1996 (p.210)	Johnson, Daily and Ellstrand 1996 (p.410)	Hillman, Cannella and Paetzold 2000 (p.236)	Hillman and Dalziel 2003 (p.382-88)
Control role	'the selecetion of senior executives: monitoring, evaluating and rewarding executive performance; and using Board powers to protect shareholders' interests'	'they play a role in administration and internal control'	'entailing Directors monitoring managers as fiduciaries of stockholders', which includes hiring and firing the CEO...determining executive pay, and ..monitoring managers'	'serve shareholders by ratifying the decisions of managers and momitoring the implementation of those decisions'	'monitoring the CEO, monitoring strategy implementation, planning CEO succession and evaluating and rewarding the CEO top managers' (also labelled 'monitoring function)
Strategic role	'include Directors' involvement in defining the firm's business concept, developing a company's mission, and selecting and implementing a company strategy'	-	-	-	-
Service role	'representing the firms' interest in the community, linking the firm with its external environment and performing ceremonial functions in the life of the firm'	'act as buffers and boundary spanners, linking organisations to critical resources in the environment and to valuable information residing in a network '.	'advising the CEO and the top managers...initiating and formulating strategy'	-	-
Resource dependant role			'facilitating the acquisition of resources critical to the firm's success ...a legitimising function'	'to connect the firm with external factors which generate uncertainty and external dependencies...bring resources to the firm'	'providing legitimavy: bolstering the public image of the firm, providing expertise... administering advice and counsel, linking the firm to important stakeholders or other important entities, facilitation of acces to resources, building external relationships and aiding in the formulation of strategy or other important firm decisions. (resources function)

Appendix L - Board role definitions

Board role definitions

Source: Van den Heuvel et al. (2006)

M. Appendix

Field: Countries/Territories	Record Count	% of 1325	Bar Chart
USA	584	44.075 %	
CANADA	88	6.642 %	
PEOPLES R CHINA	88	6.642 %	
AUSTRALIA	54	4.075 %	
ENGLAND	54	4.075 %	
SPAIN	36	2.717 %	
NETHERLANDS	25	1.887 %	
GERMANY	24	1.811 %	
TAIWAN	19	1.434 %	
ITALY	16	1.208 %	
BELGIUM	15	1.132 %	
FRANCE	15	1.132 %	
ISRAEL	13	0.981 %	
SWITZERLAND	13	0.981 %	
SWEDEN	11	0.830 %	
BRAZIL	9	0.679 %	
DENMARK	6	0.453 %	
GREECE	6	0.453 %	
JAPAN	6	0.453 %	
SINGAPORE	6	0.453 %	
TURKEY	6	0.453 %	

Appendix M - Distribution of 'Boards of Director' articles by country

1,325 records. Topic=("Board of Directors")

Source: Web of knowledge, 2011.

N. Appendix

Case 1: Rhubarb Buses

There appeared to be a general consensus that all the directors have committed their money and time for the long term, but the board is adversely impacted by several key personnel dynamics. Roles appeared to be clearly defined, but it became evident that family and business roles overlap, and that both family and business roles are affected by personality dynamics within the board.

During the first interview, the MD appeared to be in awe of his father and appreciative of the trust the latter had shown by investing in the company. However, the relationship between the two seemed very strained, and this tension was being brought into the boardroom. The lack of communication between them is indicated by the fact that the father thinks he is helping his son fulfil his dream, while the son thinks he is enabling his father to realize his dream of being self-employed (though the father did not mention this). It is important to note that although the MD stressed that he built up the business with an outside partner, this person was not mentioned by any of the other directors. The directors only see each other for business purposes; the Chairman initially maintained weekly contact with the MD and monthly contact with the non-executive, but this has reduced over time.

The Chairman suggested that the non-executive was originally appointed to help the family recognize and avoid any potential conflict between their family and business roles, but it became apparent over several interviews that his presence is largely a token gesture towards best practice. Both the Chairman and the MD are strong personalities and they rather overshadow the non-executive. Initially, everyone acknowledged the difficulties of the non-executive's situation, not least that he has few options if the others are not willing to listen to him. However, by the second interview, the MD was suggesting that the non-executive's knowledge is out of date, that he is a difficult personality and that he has an inadequate understanding of the bus industry. For his part, the non-executive was acutely aware that he is not part of the family; this was underscored by the admission from the MD and Chairman that they have to make a point of remembering to include him. It is also telling that the only arguments that were referred to were those between the father and the non-executive; the deeper rooted tension between father and son was not mentioned.

The stepmother seems to be the family peacemaker and keen to keep her husband and son happy. During the second interview and subsequent email exchanges when the board was breaking down, she suggested that she was withdrawing in order to preserve family relationships.

The professional background of the directors seems to have had a major impact on how the business is run. Some commented that they have to remind themselves not to get stuck in bureaucracy, and the MD observed that life is harder when you have to do things for yourself rather than delegate to others. Arguably, the combination of background and personalities in this case has impacted; while it has produced a highly experienced board, several of its members have struggled to make the change from FTSE100 to SME. Individual board members may have their own aims – whether these be to provide employment (father), preserve the family inheritance (stepmother) realize a dream (MD) or simply to make money (everyone) – they are all highly motivated professionals. All of the board members, except the MD, in this case see themselves as non-executives as they do not work in the company. However, their impartiality as board members is questionable; it should be remembered that they are also shareholders who funded the start up with the intention of selling the business in 5-10 years.

The difference of opinion in regard to the non-executive (the MD thinks he is not particularly useful, while the Chairman thinks he is useful but has argued with him several times) raised two key methodological questions: How many board members should be interviewed? And: How do the personal experience and attitudes of board members influence their perceptions of the board, themselves and their role? This case highlighted that although insight may be gained from interviewing the entire board, this approach produces a high degree of overlap in the gathered information. It also became evident that interviewing directors individually would be the best way to gather their honest opinions and perceptions of board processes and dynamics.

Table 8.1 Case 1 Themes

Board	All feel size of board is appropriate and meetings are conducted professionally, though the MD feels there are too many time-consuming reports. Do not think more diversity on board is needed and are unsure if they would want to let anyone else onto board.
Individual - Team	Team husband and wife versus others; team family versus non-family
Diversity Non-executive	Does nothing, but good to have to smooth over disagreements. Challenges but without real knowledge; does not want to upset family.
Women	The bus industry is a male-dominated environment. If stepmother had not been there then no FD at beginning and would have bought in expertise. Women are not treated differently by any member of the board.
Why FB?	While father, non-exec and stepmother describe it as a family business, the son only uses the term if it is to his advantage. He is happy to introduce father as Dad and always calls him Dad (other than when writing an email to all board members).
Family closeness	Close father and stepmother, distance between non-executive and family. Family only close as they have a lot of money in business. Business is used to build bridges and talk. The son does not show deep of affection; otherwise/pre-Rhubarb, would only ever contact if needed something.
Goal of FB	Each of the shareholders is interested in ultimately selling the company and making money. Other motivations include: the son has always wanted his own company but also thinks the FB has allowed his father to live his dream of being self employed; the father thinks he is giving his son the inheritance in a sensible, tax-efficient way (it also enables him to be supportive and maintain a relationship with the son); the stepmother sees it as strengthening unity and harmony (though she may have had little choice as it is his son and a large part of the money is the father's).

Challenges facing family	Father-son relationship (Every director commented)
Challenges facing business	Increased fuel costs and changes in law are influencing the survival of the company. The keys to survival are brand and customers (MD), financial backing (FD) and strategy (Chairman).
Challenges facing board	Relationship between family and non-exec – getting information rubber- stamped by non-executive.

Case 2: Motorhomes

Case 2 was chosen because it has three directors (a father and two (of the three) sons), according to FAME and Companies House. As in Case 1, the founder and MD of Motorhomes is the son (James). The founder's father always worked for himself, and the other brother, who works in the business, has limited external work experience. Only the third brother (who helps out part time and is not a director) has experience working outside the family business. None of the directors seemed to be interested in learning more about how to run a board. The business appears to be run more intuitively, with the MD initially depending on his father for advice and experience.

Having used external advisors before, the MD is aware that he has the option to employ externals or appoint other directors, but he has no wish to do as the business is currently fulfilling the family's aim – to give them a comfortable lifestyle. He feels that it is sufficient to talk to his father and hold monthly staff meetings. He is not planning expansion or the sale of the business but is nevertheless alert to opportunities.

The case raises several questions: specifically, does James (MD) or his second brother understand the legal roles and responsibilities of a director and the function and benefits of a board? More generally, if a business is running 'successfully' (i.e. it is meeting the owners'/stakeholders' aims), will appointing a board help to preserve the status quo and minimize risk? And is it still advisable to appoint a board? Currently, it appears that James and his family business are in a safe place. He does not want to expand, and the next generation does not want to enter the business. He thinks he is aware of his competitors and changes in legislation and that he understands the changing marketplace.

Table 8.2 Case 2 Themes

Board	Informally run board – Calls on father for advice and discusses ideas – annual account meetings with accountant.
Individual - Team	Finds it lonely at the top; wishes his brother had entered the business earlier and been more involved. James makes the decisions based on long-term goals of acquiring properties and keeping wealth in the family. It appears to be James alone, or father and James, or brothers together.
Diversity	The directors are all family members and all male.

Non-executive	There is no diversity, neither gender nor non-execs.
Women	None. All family members are married and have children. James said they had no involvement and all stayed at home *'which is a full time job'*, though his wife had designed one marketing campaign. He did not comment on wives' involvement in any property investment decisions.
Why FB?	All shares are family owned and they market themselves strongly as a family business i.e. having children and dogs in the yard, talking to customers at weekends.
Family closeness	Very close – especially the two brothers that work in the business. They meet up after work several times during the week and have many mutual friends.
Goal of FB	Create wealth for the family through property.
Challenges facing family	Business structure – If anything happened to James, who would take over? And how, with the current structure in place (limited reporting)?
Challenges facing business	Changing market, but they have managed to maintain their sales and increase profit.
Challenges facing board	Currently no board. Decisions taken by James with father's support.

Case 3: Mountain Dew

As with the first two cases, the MD was interviewed first. Unlike the first two cases, however, Mountain Dew's MD is not a founder or shareholder, but a chartered director who has completed various governance courses. The focus of the interview was primarily on the running of the newly formed board and his personal struggle with the founder/Chairman, who had been in sole charge of the business for 20 years. It was interesting to note that despite his training and understanding of the director's role and how a board should operate, the MD brought in an outside consultant to set up the board. This enabled him to deflect any opposition to the change away from himself and onto the consultant, while ensuring that the board was set up in a professional way. The rigour of the setting up process has meant the board is able to function fully and is not simply a mechanism to 'rubber stamp' the Chairman's decisions.

Both the MD and Operations Director commented that it has taken *'time and patience'* on all sides for board meetings and joint decision making to become part of the company culture, and for individuals to settle into their new roles. All the directors noted that meetings have evolved since the board was formed and that trust and communication have grown. Although the Chairman is still the dominating force, discussions have become more open and he is more able to trust that the board has the company's best interests at heart. At this point, there are no plans to change the structure of the board by bringing in a non-executive, as board members are still finding their feet and learning to trust one another.

The case offers a strong contrast to Cases 1 and 2, where the MDs owned a majority shareholding, had founded the company and ultimately made the decisions (although often after consultation with their respective fathers). In contrast, in Case 3, the MD can make suggestions but ultimately, he is told what to do by the Chairman.

Table 8.3 Case 3 Themes

Board	Finding their roles after nearly 30 years of a sole director. A big adjustment for all directors – they used a coach to set up the board and have strict agendas to try and ensure neutrality. However, only certain topics are approached and the directors are very aware that it is still the founder's company.
Individual - Team	The founder is learning to let go and appreciate and trust the team around him. However, there is still a divide between him and them: owner and directors. Had suffered previously by not listening to his top management team and he does not want to make the same mistake again. Directors have clear roles and are trying to work as a team; they feel the board has improved since it was formed and still has potential.
Diversity Non-executive	All male (wife – Company Secretary – does not attend meetings or take any part in the business) and no non-execs. It is a male-dominated industry. The founder and other director have been in the business for over 25 years but have little experience outside this company. No diversity.
Women	The wife is the Company Secretary but has no active involvement. The founder gave the impression he does not talk about the business at home. His daughter entered and then left the business and will not return.
Why FB?	100% founder-owned. Initially intended that daughter would take over.
Family closeness	The founder has remarried and started a new family (has a young child). He has little contact with his older daughter.
Goal of FB	Create wealth for the family and achieve personal financial goals (lifestyle choices).
Challenges facing family	No successor – the pain of letting go and selling.
Challenges facing business	Strongly hit by recession and difficulties in the building sector. Highly qualified workforce but no current expansion plans.
Challenges facing board	Finding their roles as directors, managers and owner. Building trust within the board – letting go (founder). Acceptance – subjects and opinions. Growing the company. Devising an exit strategy for the founder and business.

Case 4: Paperclip

The case is of significance because two of the brothers and their wives work in the business and live in the same house. The other family members also live close by. They consider themselves a very close knit family; decisions are generally made jointly by two of the brothers and discussed with the rest of the family at home or at family gatherings. The company has achieved most of its growth within the last five years. Although the interviewed brothers denied that they were looking to expand further, it emerged that they are possibly looking to take over the estate of a recently bankrupted competitor. Aware of the fact that the next generation may not want or be able to come into the business, they are diversifying their holdings by reinvesting their profits into property and building above their shops whenever possible. They may also consider selling part or all of the estate. The brothers feel their current way of making decisions yields good results and that the company would not benefit from a stronger governance structure. They also feel it would be very difficult to trust anyone outside the family. The fact that they communicate in a mixture of their native language and English may also limit an outsider's ability to participate.

Table 8.4 Case 4 Themes

Board	Intensely family-orientated board – Annual accounts meeting, otherwise informal board.
Individual - Team	There seem to be various teams within the board/family: Rajesh and Kiran, who make the majority of the decisions (Dipesh is out on the road, more of an individual) Rajesh and Kiran are close, creating another team The three brothers and their father form a strong family unit Father and the family friend (friend is also an individual influence) The whole family and the family friend.
Diversity Non-executive	There are no women and no outsiders. No diversity.
Women	Two wives work in the business but not on the board. Aware that g3 might not take over. Mother speaks limited English.
Why FB?	Own 50% of shares. See co-owner as family. Employ and managed by family.
Family closeness	Very close – two brothers and their families live with the father and mother, while one brother lives a very short distance away. Nearly all family members employed, daily contact. Constant contact between the two 'leading' brothers.
Goal of FB	Create wealth for the family. Are aware that they need to *'be grateful'* and could lose everything again.
Challenges facing family	Family appears to have no internal issues – roles are clearly defined as is the general strategy of reinvesting money and growing a property

	portfolio. They are aware of work life balance issues and their health.
Challenges facing business	G3 may not want to come into the business but have exit strategy. Possible economic changes in retail sector
Challenges facing board	None. Current 'board' has clearly defined roles; it is a good team and considers risk and growth. They do not want to let in outsiders. They appear to be able to make very rational decisions and have learnt from past experiences.

Case 5: Sunshine Consulting

Board 5, which operates in a service industry, has undergone major change since the departure of one of its directors. The husband and wife team, despite working in recruitment, seem to have a limited knowledge of their legal or formal roles and responsibilities as directors. It is important to note the different kind of language used by the interviewee in this case. Although she deals daily with board members from other companies, she made little use of the business terminology associated with directors (e.g. best practice, due diligence, risk, IoD, strategy, non-executive). Rather, like the FD in Case 1, she focused on the importance of the *'right fit and feel'*, maintaining harmony and working together. Although the company has shrunk in size, this interviewee felt there was still value in having a board for the ideas and input it offers.

Table 8.5 Case 5 Themes

Board	Currently a 'Sunday half time board' but using an advisory board to discuss strategy.
Individual -Team	Very team orientated. Husband and wife have clearly defined roles and feel having a team or board around them adds a strategic dimension to the business.
Diversity Non-executive	Yes, both on the board and within the company – high level of awareness. No non-execs as too small, but seeking to replicate the effect through advisory meetings with 'partners'.
Women	Even gender split on the board.
Why FB?	All shares owned by husband and wife, but do not promote themselves as a family business.
Family closeness	There are no children. The wife works in the office while the husband works on location.
Goal of FB	To have employment and grow a sustainable business as hard hit by recession and personally affected by having to make employees redundant.
Challenges facing family	No direct issues. No g3 or exit strategy, but they feel no need as they have time.
Challenges facing	Strategic growth into international markets and growing the team using

business	a new model of partnerships and not employees.
Challenges facing board	Board is not performing its task well; its informal nature means directors are missing strategic goals and in-depth discussion. They are hoping the advisory board (partners) will eliminate having to pay an external resource.

Case 6: Smith Furniture

The interviewee from Case 6, like that from Case 2, grew up in the family business and was initiated into its ways from an early age. Also like the MD in Case 2, all her work experience has been within the family business, although she studied before entering the company. Unlike him, she decided not to start up her own venture. She appears to have limited understanding of the role of the board and the legal rights and responsibilities of a director.

The significant characteristic of this SMFB is that all the shares are owned by bloodline family members – the overall aim is to maintain a family lifestyle and employment. However, this creates potential problems in terms of staffing. The father's concern to treat each child equally seems to have created a level playing field within the family, but it raises the question of how other key staff can be promoted; frustrated by this glass ceiling, they are likely to consider leaving. Another cause for concern is that much of the workforce has been with the company for a long time and is now approaching retirement age.

The company faces challenges that are typical for a third generation family business. It needs to be more aware of the needs of its non-family employees and to create a structure that will allow new employees to rise. The board is forward facing but arguably of limited experience; it may profit from engaging outside help, especially as a premium is placed on family harmony.

Table 8.6 Case 6 Themes

Board	Quarterly meetings with agenda and finance controller.
Individual -Team	Very team/family-oriented and strong belief in the workforce. Clearly defined roles of family versus non family and of sisters versus husbands or Dad.
Diversity Non-executive	Low – although there is a good gender mix (three daughters, two husbands and father), there are no external directors.
Women	Daughters were integrated into the business irrespective of their gender. The company was previously Smith and Son; the name was changed.
Why FB?	Share ownership restricted to bloodline; decision making and governance done by family.
Family closeness	Very close-knit family that spends out-of-work time together as well as holidays.
Goal of FB	Lifestyle for the family.

Challenges facing family	Maintaining the business for the next generation and growing it in harmony with its values and expertise.
Challenges facing business	Maintaining and growing the business for the family (strategy and adaptability). Elderly staff who have been with the business since it started. Retaining good staff who have no career development potential.
Challenges facing board	Acknowledging their roles, limitations and strengths. Letting in outsiders.

Case 7: Logistics

Case 7 is an example of a board which has grown with the business but which has not developed. At the time of the interviews, the company appeared to be in financial difficulty despite having a fully functioning board (HR issues and the changing external environment appeared to be the main problems). The board, which has six directors including two non-executives, has regular meetings and agendas, but the directors regard it as fulfilling a legal requirement rather than as adding real value to the company. The interviewees appeared to be aware that change is needed and were taking steps such as sending the MD on training courses, but the central dynamic seems to have remained unaltered; the Chairman runs the board with the support of his wife, making many decisions before the board meetings take place. It was even suggested by the Company Secretary that the board is too old to change anyway.

Case 7, on paper, appears to have a good board; it has diversity, experience and regular meetings. Like Case 1, Case7 has non-executives who are part of the family and own shares. This makes the role of non-executive more difficult, if not impossible. It was the only company with a husband and wife team who had worked together both unofficially (she put up the initial investment for the company) and then openly (since 2001, when she entered the business). This was also the only couple to acknowledge the importance of the emotional support they receive at home; they asserted the usefulness of *'pillow talk'* and described the wife as the *'chief emotional officer'*.

Table 8.7 Case 7 Themes

Board	Six directors – four work in the company and two non-execs hold shares.
Individual - Team	Husband and wife team, the non-exec team and the board. They seem to go through the motions but do not work as a team to achieve the goals of the business.
Diversity Non-executive	Diverse (on paper). Two non-executives with experience and shares.
Women	Two women were on the board at one point (Company Secretary with

	no voting rights), but currently there is only one. It is a male-dominated industry; it is unlikely that the woman would be there if she were not the owner's wife.
Why FB?	Set up by husband with wife's money, the majority of shares are with the family and the couple are involved in the governance.
Family closeness	While the husband and wife appear to be very close (recently celebrating their 25th wedding anniversary), they have no children and are worried what will happen to their family relationship once the business, which has played a key part in their lives, has gone.
Goal of FB	To develop and keep employment.
Challenges facing family	Togetherness after the sale of the business.
Challenges facing business	Survival in a tough economic climate, adjusting to new strategies.
Challenges facing board	Accepting roles and responsibilities of the board, seeing it as less of a waste of time or just a ratification mechanism. Becoming more involved and strategic rather than just operational.

Case 8: Electric

Case 8 is a service sector business which is about to be passed onto the third generation. While they currently have regular meetings and there is a general awareness that the board needs to be strengthened, there is a lack of knowledge regarding directorial roles and responsibilities. The company and the directors are learning on the job, taking on new challenges and new experiences. They attribute a lot to luck or fate, including the starting of the business, the change in the energy markets, the growth of internships and their partnerships with local colleges and their business coach. This coach is performing the duties of a non-executive, which raises questions about her legal responsibilities. They need to be aware of the role that the business coach is actually playing.

Table 8.8 Case 8 Themes

Board	The board is made up of three directors – g2 son and daughter and g3 son; the founder has left due to ill health and is no longer involved.
Individual - Team	They are very family-oriented with a strong desire to maintain work life balance. They seem to be a team, held together by family bonds.
Diversity Non-executive	Yes – officially. They do not have a non-executive, but are looking to appoint one to help g3 son.
Women	If the daughter had been born male, she would still have been on the board. Gender was not a deciding factor.
Why FB?	All shares are held in the family and it was started up by the grandfather.
Family closeness	Appear to be a close and practical family with clear role division.

Goal of FB	To create employment for themselves and maintain standard of living.
Challenges facing family	Transition from g2 to g3 – letting go, trusting and building a support network.
Challenges facing business	Growth and sustainability.
Challenges facing board	Letting in a non-family member, learning to include and trust them. Developing a strategy that will work with the family's vision and values.

Individual data summary

Following a number of preliminary conversations with directors, the cases were selected by means of purposeful sampling to reflect a spectrum of boards and governance. While there are similarities, each case is unique, as the background, personality and awareness of each individual director play a critical role in determining how they see their position within the board and how they participate, and thus how the board and the company are ultimately run. Another crucial factor that varies from company to company is the level of trust that exists between directors.

Notwithstanding these differences, many of the interviewees expressed similar perceptions. For example, interviewees from every case company commented on the tough economic climate and the negative effects on business. The creation of personal/family wealth, the preservation of the family legacy and to foster a sense of belonging were repeatedly cited as the reasons why families build their own businesses. Many of the directors shared the common assumption that when it comes to running a board, there is no point in changing something which has worked in the past; this was as true among those choosing a FTSE100, best practice/education-oriented model as it was among those choosing ad-hoc meetings. They did not seem to consider that a company will have different aims and must contend with different issues as it moves through the various stages of its life cycle, from expansion to consolidation and then to succession. Founders who had created a board described having to adapt to their changed role and learn to let others contribute, while new directors, particularly non-family directors, described having to learn how to approach subjects and how to use the board to help the business grow.

The cases reflect the diversity of SMFB boards in the UK and the different ways in which these boards are perceived by their directors. They show that context, trust and director background have both a formal and informal influence on how a company is structured and run. It is also evident that the level of awareness among directors as to their role and responsibilities varies significantly from company to company. The findings highlight the limitations of input-output models as a way of understanding board dynamics and show the value of the case study approach, which allows detailed investigation of the interactions between board members.

The consultants

In order to broaden the range of experience represented in the study, interviews were also conducted with three independent consultants. These all had experience of working with family business boards of varying sizes.

Lionel described experiencing unbearable frustration as a director of an automotive company (Case 9.1); there was insufficient expertise on the board to permit strategic discussions, and the family members' only real aim was to keep wealth and employment in the family. In this case, the board was little more than a hollow gesture. Lionel described how the father in this company appointed an MD whom the rest of the board judged to be incompetent. One might speculate that this was because he wanted someone he could control, or someone whose abilities would not highlight his own lack of knowledge. In any case, this MD went on to do irreparable damage to the company. It is not unusual for family businesses to collapse in this way if succession within the family is not clear and the founder cannot let go. It is the cogs to cogs in three generation tale heard often of family businesses: the first generation builds up the company, the second generation destroys it and the third generation starts again from scratch. A well-run board might have been able to prevent not only the appointment of an unsuitable MD but also the MDs subsequent actions. As with numerous other board cases, even where there is a board, the founder, majority shareholder or family usually have the final say which can influence the decision making of the board.

All the consultants noted the increase in training opportunities and advice available to boards and directors, including those in FBs. They also suggested that the business environment has changed and that the culture in FBs is now more open. The opinions expressed by the consultants are summarized and arranged by theme in Table 5.10.

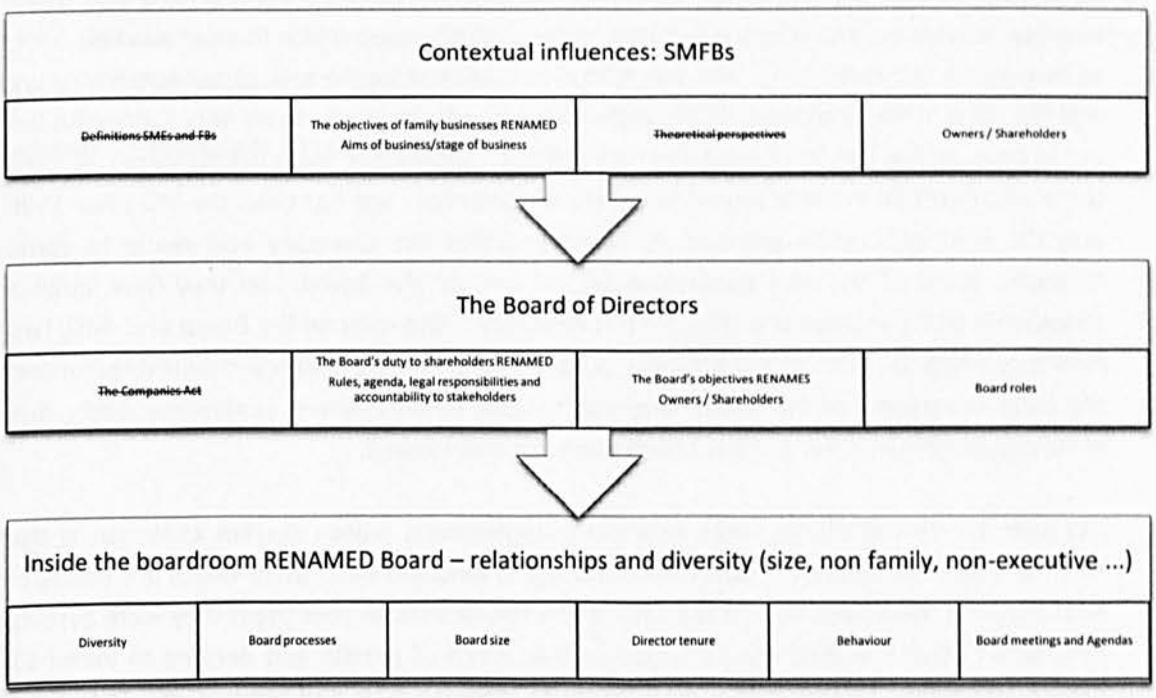
Table 8.9 Analysis of consultants' remarks

	Lionel	Bruce	Jackie
Board	Important governance tool	Useful for FBs	Useful if used properly
Individual - Team	A board needs to be made up of strong individuals, creating synergy. There is no room for being pulled along.	Clear structures are important – subgroups exist and need to be exposed and discussed.	Open communication and awareness is key.
Diversity Non-executive	Good – but selected based on gap, not nepotism or one sidedness.	Good, ideally with proper selection but any diversity helps change.	Needs to be the right type of person or diversity can go the wrong way.
Women	Women should be on boards.	Women should be on boards.	Some women should be on boards.
Why FB?	EU, UK or own business criteria.	If the business thinks it's an FB, it is.	If the business thinks it's an FB, it is.
Family	N/A	N/A	N/A

closeness			
Goal of FB	Depends on FB.	Depends on generation, family members and aims of individuals.	FBs have long and short term aims which can vary greatly.
Challenges facing family	Keeping the business in the family and the growing family.	Transition from generation to generation – letting go, trusting and building a support network.	Accepting change as generational change occurs.
Challenges facing business	Depends on business.	Individual to business.	Individual to stage of business.
Challenges facing board	Education and skills development Cohesion Communication skills.	Having the right people in the right chair.	Developing an appropriate and adaptable working style.

Analysis of literature review and primary data

The emergent themes from the literature review, which guided the Topic guide, where analysed against the emerging themes and led to the table 5.2 thematic cross-case analysis – Emergent themes from cases, which led to the resulting Figure 5.2 Model of influences on family business boards.



Appendix N – In-depth Case analysis

O. Appendix

Over 30 short stories were collected from the potential directors that agreed to be interviewed but then for reasons, varying from time commitments to non-interest in the research, to non-agreement to be formally interviewed were never used. Below is a typed up selection of three of those for the purpose of illustrating the spectrum available. Notes varied in length and depth depending on the situations, and were handwritten. Directors were very happy to speak off the record and not be associated with anything but when it came to actually interviewing for the PHD nearly always declined, time was a large issue.

Here are three examples of different directors who are interviewed between 5 and 15 minutes at different conferences. The hand written notes have been typed up:

Example 1: Female director between 55 and 60 years old, fifth generation of the East family. She is the founder's great granddaughter, and the current MD, with two of her brothers who are also on the Board as well as an external. The interesting thing about this case is that it employs just over 200 people, produces 30 different products, and has a turnover of slightly over £35 million. All of this the MD was able to tell me instantly. The interesting story here is that not only was the business grown extensively under her leadership over the last ten years but that there was a very interesting dynamic on the Board of Directors which meant that she had to, at one point, remove one of her brothers . The family ties between blood line and informal and formal roles became very clear. The brother's aims appear to be different from the rest of the Board and the Company's and his behaviour towards the rest of the Board was not supportive in the way that she was trying to grow the culture, and why she felt that it was a bit of a coup d'etat to go around his back, as he was the MD at the time. She was forced to take over for the sake of her family's future and the sake of the Company. In hindsight this proved, obviously, to be very successful but at the time, as one can imagine, it was very difficult. Sadly while more details were collected there was never an in depth interview conducted with her. She has been the MD since 1996 and the next generation are already working within the Company and ready to come through. None of the next generation are, as yet, on the Board, and they have quite a straight HR policy in place and they are not nepotistic. The roles on the Board are: MD, two directors which are both of the brothers, a commercial director and operations director and there are five people on the Board. She was met at a family business conference. Sadly, due to time commitments she and her board were not interviewed.

Example 2: This is the example of a pie manufacturer, whose current chairman is the founder from 1963. Both his sons are co-managing directors and family values are strong in how they run their business. At the time when the researcher met them they were turning over about £5 and in 2013 they enjoyed further levels of growth and decided to invest £7 million into a new factory extension in order to increase sales and production. They have 180 people working for them and produce roughly 60 million pies a year. Starting as a bakery they then started to create pies. The model initially was very simple, pies were baked Monday, Wednesday and Friday and sold Tuesday, Thursday and Saturday. The Board comprises currently only of family members. Only the sons and father are involved, the researcher met the whole family including wife and brothers, who are also involved in the business, though not officially. They were in the process of creating a more formal Board as they realised the size of the Company was now too large to handle as they were currently handling it on a day to day basis. Obviously food hygiene and manufacturing is high importance and they were clear in their defined roles and there seems to have been no problem with the sons entering the business and although both brothers were very different in their approach they showed that this combination made them a stronger team. The interesting thing about that case is that the father had a clear vision and the sons were brought into that very quickly while they observed a traditional role of being in the background. It was interesting to see how they all interacted when they spoke about the business and the expansion plans. Governance seemed to be for them not at the forefront and they argued that weekly meetings and clearly defined roles was the success of their Company. Having an outside member was something that they were considering as the Company was growing. Sadly, the board as a whole decided they did not want to participate in the Board research.

Example 3: At a Board 20/20 conference the family business, brother and brother, approached the researcher, they had a carpentry family business which employs 40 employees and the turnover was not known by the MD that was present. He explained briefly that the conflict on the Board was predominantly between his brother and father. There were no outsiders. As the father tried to step back they had decided to have an official Board and official Board meetings. He felt that this was more because the father liked to say that he was going to a Board meeting and while agendas and other items existed there were no real conclusions and no real points discussed. The father did not want to let go and the other brother was finding this very frustrating. Sadly, they later declined to be interviewed due to time schedules.

Appendix O – Example of Directors not used

P. Appendix

Aims Analysis - Initial draft to be tested and used for future research

This should be used as an initial stock take of the company and to start a debate around governance or to open a board meetings . Similar to the legal declaration of conflicting interests this would open help directors be aware of potential conflicts within the chosen governance system and should be updated regularly.

Who?	Financial/Non Financial	Time horizon
Directors (Individuals and cumulative)		
Family (Individuals and cumulative)		
Management (Individuals and cumulative)		
Business		
Shareholders (individual and cumulative)		
Other Stakeholders (dependent on business)		

This should be used to compare to the business strategy, such as lifestyle or growth, overall and identify potential conflicts. Ie short versus long term goals.

Appendix P – Aims Analysis for SMFBs

It is not the strongest of the species that survive,

nor the most intelligent,

but the one most responsive to change.

Charles Darwin (1809-1882)