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**An Analysis of an Industry Sponsored Governance
Development Intervention: The Case of Dairy NZ's Mark and
Measure Programme.**

A thesis presented in partial fulfilment of the requirements for the degree of

Master of Business Studies
in
Management

At Massey University, Palmerston North, New Zealand

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2014

Abstract

A plethora of 'good' corporate governance prescriptions are ascribed to boards. Yet there is little research on the influence of corporate governance prescriptions on businesses. This research aims to investigate the impact of the DairyNZ Mark and Measure Farm Business Governance Programme (the Mark and Measure course). This research uses Kirkpatrick's (1958) Four Level Model to evaluate the Mark and Measure course. The author employs an embedded case study with a sequential mixed methods design to examine the Mark and Measure course. The sequential mixed methods design included a document analysis, a quantitative comparative pre and post intervention analysis, and five qualitative semi-structured interviews. The participants in the research were made up of closely-held SME's and family businesses. The results show inconsistencies in the conceptualisation of corporate governance in academia, the Mark and Measure course, and the responses of the interviewed participants. There was an increase in most of the four levels in Kirkpatrick's model. However, caution needs to be applied to results as there are methodological issues with the employed survey instrument.

Acknowledgements

First and foremost, I would like to thank my partner, parents and friends for their emotional support, encouragement, and patience throughout this thesis. They have been my chief proof readers and lunch providers even since I started working on this thesis twelve months ago.

Special thanks to my primary supervisor, Dr. James Lockhart for the hours that he has spent reading over painful drafts and his invaluable conversations and insightful and vital comments. I also have to thank him for the many times when I have looked stressed he has tried to make me laugh (although, I don't think having to tell someone that was a joke counts). I would also like to thank my second supervisor Dr. Liz Dooley, for her contribution and spectacular attention to details. I express my sincerest gratitude to Peter Allen, who has helped me navigate the complex world of corporate governance and given me his insightful practitioner experience.

Appreciation is duly given to DairyNZ for funding and allowing accessing to study their programme. To OneFarm the Centre of Excellence in Farm Business Management who kindly financially supported me throughout my thesis.

A word of thanks is also due to the faculty and staff members in the School of Management who have been very supportive throughout my study. I would also like to extend my appreciation to all the interviewees in this research for their time and helpful participation.

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Part One: The Research Problem

The thesis structure illustrated below. Each chapter is represented to give the reader an understanding of the position of the chapter, in relation to other chapters and to the thesis as a whole.

Part 1 The research problem	Chapter 1	Introduction
	Chapter 2	Literature Review

Part 2 Method	Chapter 3	Research Methodology
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Part 3 Results	Chapter 4	Document Analysis
	Chapter 5	Comparative Analysis
	Chapter 6	Qualitative Interviews

Part 4 Discussion, Conclusion, Limitations	Chapter 7	Discussion
	Chapter 8	Conclusions and Limitations

Chapter One: Introduction

1.1 Introduction

Increased globalisation, size, complexity of corporations, organisational crises, such as Enron and the Lehman Brothers, the global financial crisis, new regulations, business ethics, and new demands on integrity have introduced challenges for businesses (Chawla, 2013; Dossani & Jo, 2010; Dutta, Caplan & Lawson, 2010). Arguably, all of these challenges could be solved by “good” corporate governance (Knell, 2006).

Corporate governance is marketed as the solution to an array of problems from mitigating unethical behaviour, reducing risk, improving business performance, gaining access to capital, improving public image, and enhancing public acceptance (Knell, 2006; Matheson, 2008). As such there is a substantial amount of prescription to corporate governance, particularly around the board of directors and decision making. There has been a move to the professionalisation of boards through corporate governance training offered by universities and professional bodies, such as the New Zealand Institute of Directors (IoD) and professionals, such as accountants, lawyers, and consultants.

This study examines a corporate governance training programme. So far, there has been little discussion about corporate governance training programmes in the corporate governance literature, despite the increased popularity of corporate governance development over the decade or so. The discussion of training and development in the academic field is usually around teaching ethics or having a broader spectrum of political views in MBA teaching programmes (Adler, 2002; Gioia, 2002).

Examining a corporate governance training programme is expected to give insights into compliance with corporate governance best practice codes. There have only been a handful of studies looking at family business, and small and medium enterprises (SME's), in the corporate governance field. Given

that the intervention was aimed at mostly family business and SME's, a further contribution was expected to this domain due to the scarcity of research.

1.2 Governance Training in New Zealand

Numerous organisations in New Zealand have offered or currently do offer governance education, training, and development. The University of Otago, the University of Waikato, and the University of Auckland all offer scheduled short courses to the public. Further, the University of Otago, AUT and Massey University either have had or currently maintain research, and extension centres focusing on the subject. Massey University was the first tertiary institution to offer a named qualification in corporate governance, in the form of a Postgraduate Diploma in Business and Administration in 2003, which, for reasons largely unknown was withdrawn in 2009 at a time when other institutions were entering the market. However, it is The Institute of Directors (IoD) that dominates this space in New Zealand. The Institute are increasingly saturating this space with an entire range of courses from their five-day residential to more specific shorter courses in which serving directors of substantive organisations can undergo professional development. DairyNZ's entrance to this market appears to represent the first industry level offering, in an aim to better meet the contextual requirements of a specific target audience.

1.2.1 DairyNZ and Governance Training

DairyNZ are an organisation that is funded by farmers through a levy on milksolids. DairyNZ's purpose is to secure and enhance profitability, sustainability and competitiveness of New Zealand dairy farming. They have three investment areas: productivity (feed, animals and farm systems), sustainability (environmental management, biosecurity, animal welfare and community impact), and people and business. The DairyNZ Mark and Measure Farm Business Governance Programme (the

Mark and Measure course) fits into the people and business part of their structure. This course is new in an area for DairyNZ; as such they committed a substantial amount of money, estimated around \$500,000 NZD; to design, develop, pilot, and test the intervention. Additional costs include: time, travel, accommodation, and subsidising attendance.

1.3 Research Objectives

The objective of this research is to analyse the impact of DairyNZ's corporate governance training programme. Given that there are various conceptualisations of corporate governance (Brickley & Zimmerman, 2010), investigating corporate governance calls for the exploration of how the concept is understood by the course developers and participants. This study aims to evaluate a corporate governance training programme and examine its impact on trainees, learning, behaviour, and business.

1.4 Research Questions

Based on the research objectives, the main question that this research seeks to address is:

- What is the impact of the DairyNZ Mark and Measure Farm Business Governance Programme on participants?

In order to answer this question, the following questions are also examined. Even though answering these questions is not the main objective of this research, the answers to these questions are central to addressing the main research question, and were reflected in the process of data collection and analysis:

- How has corporate governance been conceptualised?

- How has corporate governance been measured?
- What is the relationship between corporate governance training program and corporate governance?
- Does the corporate governance training programme have an impact on the trainee's learning?
- Does the corporate governance training programme have an impact on the trainee's behaviour?
- Does the corporate governance training programme have an impact on the trainee's business?

1.5 The Significance of the Study

“Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance” (Ban, 2013, p. 1). The significance of the study will lie in two main areas: broadening the scholarly understanding of corporate governance in and among closely-held entities and exploring the efficacy of the Mark and Measure course.

There are very few studies examining closely-held entities and corporate governance (Uhlener, Wright & Huse, 2007). Corporate governance has traditionally been studied in large publically listed organisations (Daily, Dalton & Cannella Jr, 2003). Additionally, there does not appear to be any research examining corporate governance training programmes despite their popularity.

1.6 Structure of the Thesis

This thesis contains eight chapters that are grouped into four parts. Part One provides an introduction to the study and presents the literature review. Part Two describes the method. Part Three presents the data through the document analysis, the comparative analysis and the qualitative interviews. Lastly, Part Four discusses the findings, before moving on to the study's conclusion and limitations. The nine chapters are outlined as follows:

Part 1: Introduction and Literature Review

Chapter 1 provides an overview of the research problem, objectives, and questions. The significance of this study is highlighted.

Chapter 2 presents the initial literature review. The literature includes corporate governance literature; including common theories, definitions, and methods, and the training evaluation literature.

Part 2: Methodology

Chapter 3 explains the research methodology. The chapter discusses the context and choice of research methodology. As a part of the discussion, the philosophical stance and reasons for choosing the methodology are also examined. An embedded case study using a three staged mixed methods approach is explained. The mixed methods design includes a document analysis, comparative analysis and the qualitative interviews. The associated data collection processes, sample, interview questions for each stage is examined.

Part 3: Results

Chapter 4 discusses the document analysis and the findings. The Seven Practices are discussed as well as the evaluation of the Business Torque questionnaire.

Chapter 5 presents the results of the comparative analysis; which is the quantitative analysis of the pre and post questionnaire of the Seven Practices.

Chapter 6 presents results and themes of the qualitative interviews.

Part 4: Findings Discussion, Conclusion and Limitations

Chapter 7 discusses the findings and a new framework for corporate governance is presented.

Chapter 8 discusses the findings contribution and implications on both the literature and the practitioners. The limitations of the research methodology and the findings are then underlined and some directions for future research are suggested.

1.7 Chapter summary

This chapter has outlined the main research problem and the objectives of the study. The primary and secondary research questions were provided. This Chapter explained the significance of the study and outlines the structure of the thesis by providing a depiction of the structure. In the next the chapter, corporate governance literature relevant to this reviewed.

Chapter Two: Literature Review

2.1 Introduction

The primary aim of Chapter Two is to develop a sound understanding of what corporate governance is, and how it could be practiced. The Chapter comprises of a brief historical overview, the identification of various conceptualisations, underpinning theories, and a review of the attempts to measure corporate governance. A discussion of the special case of one and unification then follows. The final section focuses on training interventions.

2.2 A Historical Overview of Corporate Governance

The research literature suggests that corporate governance is a very old phenomenon. Many authors relate corporate governance to the Seventieth Century and the first joint-stock companies. Adam Smith's original 1776 publication on the problem of other people's money or Berle and Mean's 1932 classic analysis of the US securities industry (Frentrop, 2003 as cited in Mees, 2010) is often cited as a foundation of corporate governance. Kristie (1997) offers a timeline of corporate governance going back to 1912 at the Pujo hearings where an inquiry of J. Peirpont Morgan and the domination of his bank on American industry through financing agreements and board representation. Kristie's timeline is brief, and focuses largely on the court cases, influential books, and legislation up until 1997.

Morck (2005) in collaboration with other authors provides a detailed history of corporate governance. He provides a history of corporate governance in many of the large industrial economies, developing economies, and alternative models in countries as wide ranging as: Canada, China, France, Germany, India, Italy, Japan, Netherlands, Sweden, the United Kingdom, and the

United States of America. Each country is explored through their own unique and intricate financial histories. However, each of these historical accounts and the origins of corporate governance, in each country, largely depend on how the respective author has defined corporate governance.

The term corporate governance was not widely used before the 1980's (Mees, 2010; Morck, 2005). It was Richard Ellis who in 1960 bundled the notions "corporate" and "governance" into a single term in his book "The meaning of modern business". Ellis (1960) identifies corporate governance as "the structure and function of the corporate polity" (p. 108). This definition of corporate governance revolves around the idea that we know little of the governmental process within the corporate entity. As well as, external relations of that polity with other types of private and public polity. Moreover, this view does not take into consideration agency costs and the modern legal or economic view to corporate governance. Rather Ellis (1960) confines corporate governance to only corporate government, which appears to have little to do with today's characteristic usage of the term corporate governance.

It is important to note that in the context of New Zealand, the term corporate appears to be relatively new. It is not defined in the New Zealand Companies Act 1993, rather "corporate" is used synonymously with the term "company". However, for countries like the United States of America where corporate is not a new notion and it is well defined. The Online English dictionary defines a corporation as "of or relating to a corporation, especially a large company or group" (Dictionary, 2014).

Kyd on Corporations, a corporation is defined as:

a collection of many individuals, united into one body, under a special denomination, having perpetual succession under an artificial form, and vested by the policy of the law, with the capacity of acting, in several respects, as an individual (Kyd, 1794 as cited in Farrar, 1985, p. 4).

The forgoing definition also implies that “corporation” refers to a collection of many individuals. However, the New Zealand Companies Act 1993 allows for ‘a case of one’ (Allen, Hunt, Lockhart & Crow, 2014). A case of one is where one individual can be the owner and the director of a company and only one person is required for a company to be incorporated in New Zealand.

2.3 Conceptualisations of Corporate Governance

2.3.1 Definitions of Corporate Governance

It would be greatly helpful to have a universally accepted construct of corporate governance, however due to the subjective and elusive nature of the phenomenon this has yet to be achieved (Carver, 2010). Corporate governance has also drawn from many different disciplines, which is another important reason for the range of definitions around the term. According to Huse (2007): “Corporate governance definitions will often be biased and reflect the values of those using them” (Huse, 2007, p. 14). In other words, each author emphasises different aspects of corporate governance, which renders it to be loosely defined phenomenon and polysemantic. Perhaps it is this multifaceted nature of the concept that made it a thorny issue for some authors of the recent articles on corporate governance; as many prefer to avoid defining the concept completely (Martyn, 2012; Miller & Le Breton-Miller, 2006; Monks & Minow, 2011; Uhlener et al., 2007).

Despite the avoidance, the literature mentions numerous definitions of corporate governance and each definition takes into consideration some specific range of variable(s). This norm provides an acceptable means of defining corporate governance in a way that it best corresponds to the scope of this research.

The term corporate governance is made up of two distinct words, “corporate” and “governance”. Their roots are in the Latin word “corporare” denoting "form into a body" and the French term “gouvernance” meaning "act or manner of governing," respectively (Harper, 2014). The Cambridge

English dictionary defines corporate governance as: “the way in which a company is managed by the people who are working at the highest level in it” (Cambridge University Press, 2011, p. 179).

There are two common ways, within which, corporate governance is generalised: that is macro-corporate governance (i.e., organisation outward-creating and enforcing governance rules and regulation as an example) and micro-corporate governance (i.e., organisational inward-designing incentive and monitoring systems) (Dalton & Dalton, 2011; Huse, Hoskisson, Zattoni & Viganò, 2011; Minichilli, Zattoni, Nielsen & Huse, 2012). The goals of this research are embedded mostly in micro-corporate governance systems and processes. However, the macro-system cannot be completely ignored as it is interdependent on the micro-system.

Four themes are generally attributed to definitions of corporate governance. These are: political/social/ethical (Gabrielsson & Huse, 2004; Starbuck, 2014), economic/legal (La Porta, Lopez-de-Silanes, Shleifer & Vishny, 2000; Mitton, 2002; Morck, 2008; Shleifer & Vishny, 1997; Steger & Amann, 2008), and boards/management (Carver, 2007, 2010; Daily et al., 2003; Finkelstein, 2003; Huse, 2007). The fourth theme is control (Fama & Jensen, 1983; Mizruchi, 1983; Pettigrew & McNulty, 1995; Sundaramurthy & Lewis, 2003), which, underlies most of the definitions of corporate governance. It is important to note that these themes are simplified and by no means cover the complexity or the entirety of the subject. However, many definitions today take such a broad definition of corporate governance, that corporate governance can mean a range of variables, outcomes, activities processes, and attributes. Subsequently, corporate governance has become increasingly difficult to measure, because there is so little agreement as to what it really is.

Knell (2006, p. 5) argues that corporate governance adds value to a company. He states that, “governance means to control and regulate; the exercise of influence to maintain good order and adherence to predetermined standards of behaviour” (Knell, 2006, p. 5). The definition identifies two noteworthy points: corporate governance creates/adds value to a company and the added value

tends to assist the company in regulating the behaviours to maintain the requisite standards of discipline and order within the company.

Expropriation and power belong to behavioural, social and political aspects of corporate governance noted in various definitions. La Porta et al. (2000, p. 4) defines: “corporate governance, to a large extent, a set of mechanisms through which outside investors protect themselves against expropriation by the insiders”. Another definition is that: “corporate governance might broadly be defined as the study of power and influence over decision making within a corporation” (Aguilera & Jackson as cited in Clarke & Branson, 2012, p. 3). However, it is not clear from either of these definitions what the: specific mechanisms are, who the insiders are, what power and influence is and what type of decision making is required.

The online Oxford Dictionary of Business and Management defines corporate governance as: “the manner in which organisations, particularly limited companies, are managed and the nature of accountability of the managers to the owners” (Law, 2009). This view attributes accountability to corporate governance. Accountability is often described as a feature of corporate governance; but accountability to whom is debated (Berent-Braun & Uhlener, 2012). It is; however, important to note that this definition sees corporate governance only in relation to limited liability companies. Interestingly, the Online Oxford Dictionary of Human Resource Management defines corporate governance as a function of a private corporation: “the control and organisation of private corporations” (Heery & Noon, 2008).

Crowther and Aras (2010) take a more ethical view of corporate governance in their definition. They suggest that:

corporate governance can be considered as an environment of trust, ethics,
moral values and confidence – as a synergic effort of all the constituents of

society – that is the stakeholders, including government; the general public and so on; professional/service providers – and the corporate sector (p. 1).

Cadbury's 2004 (as cited by, Clarke & Branson, 2012) definition takes a more ethical viewpoint than his earlier definition on corporate governance (See Cadbury, 1992). Cadbury says that: "corporate governance is concerned with holding the balance between economic and social and between individual and communal goals the governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of the individuals, corporations and society" (pp. 1-2). The development of Cadbury's thinking coincides with nearly a decade of examining the topic and seeking greater meaning from repeated crises of governance.

A further another strong link to corporate governance is around a legal framework. This is mostly from the United States of America perspective, as discussed earlier the term corporate governance is not found in the New Zealand Companies Act 1993. However, a recently published practical handbook on corporate governance in the New Zealand context omits any definition of corporate governance, but implicitly suggests that it occurs by/in the board and is centred around the legal framework (Martyn, 2012). In which case, it should be company governance, however, even the term governance does not feature in the New Zealand Companies Act.

Other common definitions of corporate governance take economic and financial perspectives, examples being those from Shleifer and Vishny (1997) and Zingales (1998). Zingales (1998, p. 3) views the: "governance system as the complex set of constraints that shape ex post bargaining over the quasi-rents generated by the firm". Whereas, Shleifer and Vishny (1997, p. 737) take a broader definition of corporate governance: "as the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment". These definitions are vastly different from those discussed earlier from a behavioural, ethical, and social perspective.

Control and direction is also one of the major themes of corporate governance definitions. The board of director's and management's roles are often prescribed in these definitions. The New Zealand Institute of Directors views governance as: "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations" (Institute of Directors, 2012, p. 8). Likewise Cadbury (1992) defines roles for Board of directors in his definition:

Corporate governance is the system by which companies are directed and controlled. The Boards of directors are responsible for the governance of their companies. The shareholder's role in governance is to appoint the directors and the auditors to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the Board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The Board's actions are subject to laws, regulations and the shareholders in general meeting (Cadbury, 1992, p. 15).

However, recently there have been even broader definitions of corporate governance that encompass both the micro and macro aspects of business. For instance, the OECD (2005) defines corporate governance as:

"Procedures and processes according to which an organisation is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organisation – such as the board, managers, shareholders and other stakeholders – and lays down the rules and procedures for decision-making" (OECD, 2005, p. 1).

Similarly, Blair and Stout (2001) take a broad definition, suggesting that corporate governance encompasses: "the whole set of legal, cultural, an institutional arrangements that determine what

publicly traded corporations can do, who controls them, how that control is exercised, and how risks and returns from the activities they undertake are allocated” (Blair & Stout, 2001, as cited in Clarke & Branson, 2012, p. 3). Interestingly, there is a further broad definition, which has also emerged in New Zealand. Matheson (2008) states that corporate governance is:

“The practice of governance inside boardrooms is commonly perceived as consisting of confidential activities known only to the directors who sit around the board table. Legally, governance separates ownership from control and is to do with stewardship of someone else’s property. The governance model has developed to the point where it is no longer confined to companies; it is an important function of almost all organisations as are management and the professional disciplines of accounting and law. Governance is defined as the system or manner by which organisations are governed. Today self-regulation is a major feature of good practice in all organisations” (Matheson, 2008, p.1).

The difficulty with these broad definitions is that consequent deductive research is very unlikely to capture all of the variables associated with corporate governance, let alone establish any relationships; to say nothing about establishing causality. The phenomena as defined is simply too big, too complex and too pervasive.

Thus, there are numerous definitions of corporate governance all relating to a wide variety of issues and theoretical underpinnings. As such corporate governance appears to have become the latest buzzword for the business world. A brief definition used for this research of corporate governance is simply “control of a business entity or entities”. As the legal framework in New Zealand does not distinguish a corporation from a company; the definition should use the term “business entity”, thereby also embracing trusts. Additionally, corporate governance is not prescribed to the top management team, or management in general as The Companies Act 1993 makes specific mention

of the relationships between the board and management (See section 128 The New Zealand Companies Act 1993).

2.3.3 A definition for control and corporate governance

As stated earlier the definition adopted for corporate governance is the 'control of a business entity or entities', however it must be further explained. "Business entity or entities" are defined as "organization established as a separate existence for the purposes of taxes. Corporations, limited liability companies, and sole proprietorships are types of common business entities" (Business Dictionary, 2014).

Control must also be defined. This research takes Walton's (1974) definition of control. Douglas Walton is a Canadian academic and author. He is well known for his papers and books on argumentation, logical fallacies and informal logic. He holds the Assumption Chair in Argumentation Studies and Distinguished Research Fellow of the Centre for Research in Reasoning, Argumentation and Rhetoric at the University of Windsor. Walton takes a behaviourist conceptualisation of control and argues that a concept of control introduces the attendant notion of responsibility and accountability. Responsibility and accountability are fundamental threads to the ethical and moral conceptualisation of corporate governance. Walton (1974) characterised control as the: "capacity to bring about a certain result or make something happen, or alternatively, to preclude something from happening. In exercising control, an individual (which need not be an intelligent agency) intervenes in the course of events so as to bring about a certain result or state of affairs" (Walton, 1974, pp. 163-164). Therefore, control, in achieving certainty (certainly reducing both risk and variability) appears essential to corporate governance.

There are differences in exercising control and the possession of control as well as differences between possibility and actuality. For example, one might have control over a state of affairs x , without ever exercising control or bringing about x . Additionally, one may bring about x is not the same as saying that one has control over x (Walton, 1974).

Walton (1974) also explains positive, negative and partial control. Full control is having both negative and positive control. Positive control is when the controller can bring about a certain result x , negative control is when x can be prevented. Partial control is when the controller has either positive or negative control. In addition to understanding control the control context need to be taken into consideration.

The control-situation or context involves four elements (Rescher, 1969; Walton, 1974).

1. The *object* under control (e.g., pencil or a lever)
2. The *control parameter*, i.e., the aspect of the object control over which the controller exercises control (the *pressure* on the pencil or the *position* of the lever)
3. The *control alterations* i.e., the changes (or constancy-maintenance) in the control parameter that are put into effect in the exercise of control (i.e., by changing *pressure* or *speed* of the pencil, or by the *motion* of the lever from one position to another)
4. The *modus operandi* i.e., the set of procedures explaining the manner and means by which the controller effects control alterations.

While the definition of control is complex Walton's (1974) definition can be used as a starting point to examine corporate governance behaviours. Control legitimises both responsibility and accountability; control is parsimonious; and control appears to be related to the legal structure (entity) and scale and complexity. The next section will look at the research around corporate governance and social, political and ethical issues.

2.4 Social, political and ethical issues and corporate governance

A recent strand of corporate governance debates focuses on the social, political, and ethical issues and the responsibility of corporate governance for their achievement. Authors often relate this to a change in the conception of corporate governance after Enron (Dossani & Jo, 2010). Although this change appears to have been influenced by other crisis's such as the Lehman Brothers (Dutta et al.,

2010), and MCI Inc./WorldCom (Breedon, 2003). In reaction to these and the other accounting scandals and the global financial community; the legislative community have called for more regulation. In the United States of America the call of more legislation resulted in The Sarbanes-Oxley Act 2002.

More recently financial and economic crises, for example, the 2008 global financial crisis are major reasons for the upsurge in interest in corporate governance. The exposure of the corporate sector has created demand for a new corporate ethos, greater compliance with the law, and improved accountability of companies. As such, prescriptions of 'good' corporate governance have been widely identified (Castañer & Kavadis, 2013; Institute of Directors, 2012; Nur'ainy, Nurcahyo, Sri Kurniasih & Sugiharti, 2013; Raelin & Bondy, 2013) (Appendix One). Gregory (2002a, 2002b) provides a comprehensive comparison of variations in governance best code practices within the European Union and other select jurisdictions. But, overall the concept of "good" corporate governance often lacks: parsimony, differentiation, coherence, theoretical, and field utility¹. This is because the concept of corporate governance is still relatively new and as observed here, has numerous theoretical underpinnings. Additionally, codes of best practice emerge from contextual considerations but are most often developed for listed companies, their examination being predominantly among Fortune 500 firms (Huse, 2007).

A great deal of concern related to social, political and ethical issues have been shared among the academic community. From this focus, the construct of responsibility appears to have emerged. There is a link between corporate governance and social responsibility, although the relationship is neither clearly defined nor understood nor is it elaborated in the literature (Crowther & Aras, 2010). Trust is also considered important to corporate governance. It is mostly studied as the interpersonal influence process among decision making in the top management team. On occasion that has been extended to relationships between the board and the chief executive (Westphal & Zajac, 1995).

¹ Based on political scientist John Gerring (1999) who devised a framework to identify a concept as being good.

Social capital also has implications on corporate governance but like trust, social capital needs to be reconceptualised to be more appropriate to corporate governance (Clarke & Branson, 2012), as general theories of agency appear to be largely incompatible. Incompatibility occurs because the dominant agency theory views agents (managers) as self-interested incurring agency costs. Therefore, concepts like trust and social capital are likely to be difficult to integrate into this theory, contributing not understanding but further confusion to corporate governance.

2.5 Legal issues

Corporate governance from a legal perspective has come with both praise and condemnation. Companies are reasonably diverse from a legal standpoint ² and have three distinctive features (Colley, Doyle, Logan & Stettinius, 2005) an unlimited life, the limited liability of owners, and divisibility of ownership that allows interests without disrupting the structure of an organisation. A corporation is separate from its members and cannot incur personal liability for debts.

The legal framework is contextual depending on entity, country, and other variables. For example, the US framework has legislated corporate governance to publically listed companies through The Sarbanes-Oxley Act 2002. Whereas, in the United Kingdom, the Cadbury (1992) codes of best practice are not regulated through an act, but are self-regulated listing the requirement to “comply or explain”. Basel III created by the international banking sector introduced risk based pricing, enhancing bank liquidity, decreasing bank leverage, and introducing more rigorous stress testing in an attempt to strengthen bank capital requirements (Miu, 2012). Many in the financial community and legislative community argue that corporate governance, often through legislation and best codes of practice, is a large part of the answer to mitigate performance problems in organisations (Klapper & Love, 2004). Although, there is contrary view that best practice codes and legislation do

² Despite their being one act in each jurisdiction against which all companies/corporate are required to operate their diversity is immense.

not improve corporate governance and may be costly (Cuervo, 2002) and anticompetitive. Like many of the theories and ideas around corporate governance, the legal framework is mostly concerned with the role of the board of directors (Baysinger & Butler, 1985). This does not mean that corporate governance is solely the role of directors (Carver, 2010), and that everything done by the board of directors is corporate governance.

2.6 Major Theoretical Perspectives in Corporate Governance

26.1 Agency Theory

The focus of this research is the examination of a corporate governance intervention targeted at boards, while boards are not synonymous with corporate governance; boards are a large part of the literature on corporate governance. Theories of corporate governance are middle range theories as there are no popular grand or unified theories yet (Carver, 2007, 2010). Much of the literature and empirical contributions examine boards as a corporate governance mechanism to prevent agency. Therefore, Agency theory is one of the most common theories of corporate governance. Although, there was no mention of a direct relationship with agency and corporate governance in the foundational writings³ (Berle & Means, 1991; Fama & Jensen, 1983).

Agency theory started with Berle and Means. Companies are pervasive today; however, this wasn't always the case. The use of the corporate form in industry began to be widely used in the 19th Century in the United States of America. As countries and technology grew so did projects. The concept of public shareholding arose from a need for capital to fund projects that could not be supported by individuals. This growth, in turn, gave investors the chance to become shareholders, sharing risk and reward across more people (Cheffins, 2011; Kristie, 1997; Mees, 2010; Micklethwait

³ Fama and Jensen (1983, p. 312) mention the "modern corporate governance movement" but no further elaboration was provided. However, they did herald the emergence of a new discourse as not long after other academic began to discuss and explore corporate governance. The term corporate governance is not used in the Berle and Means foundational book. However, the new forward adopted in 1991 mentions agency theory (Berle & Means, 1991), attributing it to Berle and Mean's work.

& Wooldridge, 2005). Therefore, the dominant legal form of business emerged as the publicly owned (or quasi-public) corporation (Micklethwait & Wooldridge, 2005). However, Berle and Means (1991) described how larger business could not be effectively governed by their proprietors for varying reasons and reported on the separation of ownership from control.

Berle and Mean's (1991) separation of ownership from control lead to the idea of agency theory. Agency theory casts managers as "agents" for the shareholders also known as "principals" to act on their behalf. The central idea in the theory is that agents will act in a way in order to maximise their own self-interest rather than the those of the shareholder(s) (Jensen & Meckling, 1976). Agency Theory is based on the assumption that a manager's relationship is entirely contractually based on market exchange. Control mechanisms and structures, such as independent directors, remuneration incentives are implicitly put in place to alleviate the supposed agency problem (Eisenhardt, 1989; Fama & Jensen, 1983; Matheson, 2010).

Agency theory has been highly influential in shaping corporate governance reform. It has been perused entirely by deductive methodology; typically relied on large data sets to test its propositions (Dalton, Daily, Ellstrand & Johnson, 1998; Dalton, Daily, Johnson & Ellstrand, 1999). Agency theory has mostly studied various mechanisms to control self-interested agents in order to serve the shareholder (Eisenhardt, 1989). It is often argued at the expense of context (Gabrielsson & Huse, 2004; Pye, 2004; Pye & Pettigrew, 2005), behaviour and evolution (Gabrielsson & Huse, 2004), relationships (Leblanc & Gillies, 2005), power (Demb & Neubauer, 1992; McNulty & Pettigrew, 1996; Pettigrew & McNulty, 1995), emotions (Brundin & Nordqvist, 2008), collective intelligence (Cooren, 2004), communication (Cooren, 2004; Malenko, 2011), norms (Forbes & Milliken, 1999), corporate culture (Minichilli et al., 2012; Pye & Pettigrew, 2005), groupthink (Maharaj, 2008; Silver, 2011; Steinberg, 2009), personality (Dunne, 2005; Leblanc & Gillies, 2005) and diversity (Du Plessis, Saenger & Foster, 2012; Mathisen, Ogaard & Marnburg, 2013). But quite why agency theory

dominates the corporate governance literature remains largely unexplained, the assumption being that management will behave opportunistically.

One of the control mechanisms often cited in agency theory is the board. The board and CEO relationship has been studied from numerous aspects from CEO duality (Krause & Semadeni, 2013; Lincoln, Fields & Adedoyin, 2013; Syriopoulos & Tsatsaronis, 2012; Tuggle, Sirmon, Reutzler & Bierman, 2010; Vintilă & Duca, 2013), tenure (Hambrick & Fukutomi, 1991; Miller, 1991), selection (Quigley & Hambrick, 2012; Westphal & Zajac, 1995), succession (Ocasio, 1994; Quigley & Hambrick, 2012), behaviour (Morck, 2008; Westphal, 1999), power (Pearce & Zahra, 1991; Westphal & Zajac, 1995; Zhang, 2013) and who should contribute to strategy (Andrews, 1980; Carpenter & Westphal, 2001; Ferkins, Shilbury & McDonald, 2009; Kelly & Gennard, 2007; Pugliese & Wenstøp, 2007). In most cases this latter work has influenced the plethora of best practice prescriptions keeping management largesse at a minimum.

In contrast, the board and owners' relationship is almost completely neglected. Two articles found concerning the relationship between the board of directors and the shareholders are notable. Slutsky (1967) examines this relationship in the annual general meeting and Frankel and Barsky (1983) looked at the power struggle between the board and management. These now dated contributions are indicative of the agency focus of much governance research.

2.6.2 Stewardship Theory and Corporate Governance

In near contrast to agency theory is stewardship theory. Stewardship theory postulates that managers are essentially trustworthy individuals and are good stewards of the resources entrusted to them (Davis, Schoorman & Donaldson, 1997; Donaldson & Davis, 1991). As a result the use of stewardship theory generally results in the advocacy for more inside directors as they have a better understanding of the company and are likely to make superior decisions (Donaldson & Davis, 1991). However, much like agency theory there is no clear empirical evidence to support the claim that the prevalence of insider directors will provide better corporate performance. Superior firm

performance is not explicit in the stewardship literature but it is thought that making better decisions will in turn positively affect (eventually anyway) corporate performance (Baysinger & Hoskisson, 1990). Therefore, stewardship theory embeds the board into a virtuous model of governance (as opposed to competition); whereby, performance of the firm is an outcome not of opportunism but trust.

2.6.3 Resource Dependence Theory

The third major theory of corporate governance is the resource dependence theory. This theory argues that the board is an essential link/source between the firm and the essential resources that it needs to maximise performance (Pfeffer, 1973, 2003). However, there is no universally accepted definition of a resource. Since resource dependence theory draws from both management and sociology; definitions vary widely. Management scholars tend to take a more generic approach and follow a resource based view of the firm (Wernerfelt, 1995, 2013). Some of the research in this field views the board as a potentially important resource, in particular its links to the external environment (Hillman, Cannella & Paetzold, 2000). Others in the board performance literature look at the board's ability to link to specific resources (Zahra & Pearce, 1989). Whereas, sociologists tend to concentrate on distinct types of links; mainly links to competitors (Mizruchi, 1996), access to capital (Mizruchi & Stearns, 1988) and the nations' business elites (Useem, 2006).

Resource dependency theory, like stewardship theory provides another view on the board and the contribution it can make. The importance of the board in contributing effectively in the micro-environment or the macro-environment is explicit. The outcome being, supposedly, improved performance.

2.6.4 Managerial Hegemony

Mace (1971) identifies managerial hegemony as one of the myths of the responsibility and power of boards. He argues that some chief executives control the board of the directors of the companies that they run. Mace argues that chief executives control the information, professional advice that

the board receives, are able to determine board membership, decide what boards do and do not do, and the compensation packages for senior executives and themselves. Inadvertently, Mace identifies the wide gap between what a board should do and what they could be allowed to do when effectively controlled by a CEO. Lorsch and Young (1990) provide a different view of the potential power of the board. They argue that process is important, in particular understanding the important relationship between owners, boards, and managers. While researchers examine corporate governance from a shareholder view (therefore the benefit of the shareholder(s)), other theorists take a wider view of corporate governance to encompass stakeholders; including shareholders. This reintroduces the construct of corporate social responsibility.

2.6.5 Stakeholder Theory

Stakeholder Theory argues that the corporate should not be regarded as bundles of assets belonging to shareholder but the corporate should also take into account the broader group of stakeholders. Donaldson and Preston (1995) define organisations as agreements between the entity and its stakeholders. Stakeholders usually consist of internal (i.e., managers, owners, employees) and external (i.e., customers, suppliers, competitors and special interest groups). Informal and formal rules are developed through a history of relationships between the entity and its stakeholders. Therefore, stakeholder theory can be seen to be encompassed by the earlier identification of the macro-environment and the micro-environment. Most importantly it implies that other groups have legitimate claims on the corporation.

2.6.6 A Team Production Model

Huse et al. (2011) suggests a team production theory approach to explain some of the short-comings of agency theory. The team production model is based in the economics and legal literature (Blair & Stout, 1999). Blair and Stout (1999) also take issue with agency theory model and the shareholder wealth maximisation goal upon which it is developed. They explain the development of the model and also critique the conventional models of the firm (principal-agent and property rights). The team

production model argues that the “grand design principal agent model” overlooks the most interesting problems in organising team production. They are sceptical that vertical hierarchy actually benefits the principal/shareholder(s) and therefore, emphasise horizontal relationships in organisations rather than the just vertical ones. The idea is that synergy can be produced in teams, where the sum of team production is greater than the individual parts (Blair & Stout, 1999).

Blair and Stout (1999) advocate for an internal governance structure called a “mediating hierarchy”. A mediating hierarchy requires that team members give up important rights (property rights) to the legal entity. In essence corporate assets belong to the corporation itself not the shareholders. Control over these assets is promoted as an internal hierarchy. At its peak is the board of directors, whose role it is to co-ordinate activities of team members mediate disputes and allocate the resulting production. This approach also argues that directors should not be under direct control of either shareholders or the broader stakeholder group.

In the team production model: “boards exist not to protect shareholders *per se*, but to ensure protection the enterprise specific investments of all members of the corporate ‘team’, including shareholders, managers, rank and file employees and possibly other groups, such as creditors” (Blair & Stout, 1999, p. 253). Board members would need to bring different backgrounds and perspectives into the boardroom (resource dependency theory), which will help the firm in creating value. Emphasis is on an effective board team as a diverse group of people to solve many problems. Different goals, norms, values and effective management is postulated to reduce problems; such as, free-riding and groupthink. However, to use team production theory effectively there needs to be an understanding of team culture, dynamics of the board, board leadership (including various roles), board tasks, and accountability (Huse et al., 2011).

Team production theory may be another good starting place from which to develop a model and/or definition of corporate governance. However, there are some circumstances where it does not appear to apply, notably a case of one. Blair and Stout (1999) say that the model is applicable to

public entities not closely-held. As public corporations have a more widely dispersed share ownership, directors are freer from direct control of the corporate team including employees, executives and shareholders. It also implies that there is an understanding of board tasks, team culture, team dynamics and board leadership, leadership and accountability (Huse et al., 2011). Critiques of the team production model are also offered (Meese, 2002; Millon, 2000) and, while there is not yet broad acceptance of the team production model as an alternate theory of corporate governance; it appears to offer both credible explanation and a useful position from which to consider the practicalities of governance – the exception being a case of one.

2.6.7 A Move Toward Behavioural Based Theories of Corporate Governance

Behavioural studies (Gabrielsson & Huse, 2004), behavioural theory (Huse et al., 2011) or behavioural process (Hambrick, Werder & Zajac, 2008) are described in numerous academic articles, and, as to be expected each, with slightly different views on what the behavioural aspect of corporate governance is. Hambrick et al. (2008) divide the corporate governance literature, using a behavioural classification, into two parts (Figure 2-1).

	Formal structure	Behavioral structure	Behavioral process
Organization ↓ Inward	Economics Designing optimal incentive and monitoring structures	Power Showing how positions affect power/politics within organizations	Social psychology Revealing how decision-making processes may be biased
Organization ↓ Outward	Legal Creating and enforcing governance rules and regulations for societal benefits	Social networks Showing how power and information flow in interorganizational networks	Symbolic management Understanding how symbols and language can address normative compliance with societal norms and values

Note: from Hambrick et al. (2008)

Figure 2-1. A behavioural based classification of corporate governance theories.

Forbes and Milliken (1999) suggest that corporate governance research maybe directed more toward the study of group process using group behavioural research. But because the board of

directors have unique features not all group research approaches apply. They suggest that three factors influence cohesion and task performance including cognitive conflict, effort norms and the boards' use of its knowledge and skills. Because the time that boards meet is expected to vary assumptions about how the group functions, for example, cohesion need to be made. Major promoters of this new research paradigm in corporate governance; Huse et al. (2011) suggest that an entirely new research model should be developed around the team production model. However whether or not his approach, like those discussed before it is genuinely mutually exclusive is yet to be resolved.

2.7 The Board and Corporate Governance

Understanding the board and corporate governance depends on the definition of corporate governance and, therefore the role the board is prescribed or expected to take. The role of the board is expected to be contextually dependent depending on the organisation size, location, age, number of employees, and organisational cultural among many others. The role of the board also appears to have changed over time. Often the boards' role depends on the theoretical stance adopted and often varies from organisation to organisation making it genuinely complex and difficult to define.

In the 1980's and early 1990's board's roles in strategy were largely passive as highlighted in the examination of corporate failures (Pugliese et al., 2009). In response corporate governance reforms (Sheridan, Jones & Marston, 2006) mandated greater involvement in strategy and hence responsibility for outcomes to restore public confidence. Recent changes to the role of boards stems from: The Sarbanes-Oxley Act in the United States of America, The Cadbury Report in the United Kingdom, and the OCED principles of corporate governance encouraging independence and better board control so that accountability is enhanced (OECD, 2007; Ribstein, 2002; Short, 1996). Many of

these legislative changes have been based on the separation of ownership and control (Pugliese et al., 2009) encountered in public and quasi-public companies.

The role of boards in shaping and influencing performance of business varies considerably. The monitoring function as advocated by agency theory is often argued as vital, particularly concerning recent large scale and repeated corporate scandals. However, monitoring is not the only function that boards play; of particular concern is the role boards should or should not take in determining strategy; managing during a financial crisis; securing external resources, and developing managerial capabilities (Daily et al., 2003). Many authors argue for some kind of board involvement in strategy, however little consensus exists regarding the nature of this role (Ingley & Van der Walt, 2001). In contrast, outside The United States of America, stakeholder models of corporate governance reflect the board's role in representing the community and employees interests alongside those of owners (Blanpain, Bromwich, Rymkevich, Senatori & García, 2011; Swift, 2001).

Agency theory argues that boards are not expected to implement or initiate strategy, instead they can monitor (Monks & Minow, 2011) and (dis)approve strategy (Fama & Jensen, 1983). Board involvement in strategy remains contentious as the distance between management and the board becomes closer. Therefore, the board's contribution to strategy could be limited due to information asymmetries, the need to remain independent, and to separate itself from the day to day activities (Coffee, 2005; Harrison, 1987) and leaving strategy to management.

In contrast, Andrews (1980) and Carpenter and Westphal (2001) remark that boards are in great position to add to strategy. Stewardship theory pertains that managers and boards members are not always in opposition but are highly motivated, acting in the best interest of the firm (Pugliese et al., 2009). The role of the board of directors in this view is one of support and empowerment of managers in strategy implementation and formulation. This is reasonably similar to resource dependency theory as they both suggest involvement of the board in strategy (Pfeffer, 1972). Resource dependency theory contributes to strategic decision making by providing links to the

external environment and access to valuable resources. However, it is not clear about the board's strategic role, instead the focus is on acquiring resources rather than using the board as a resource in the formulation of strategy (Bongjin, Burns & Prescott, 2009).

The empirical evidence of boards' role in strategy is yet to produce conclusive results. Some researchers go as far as arguing when boards are involved in strategy they destroy value (Fulghieri & Hodrick, 2006; Jensen, 1993; Pugliese et al., 2009). Other studies have found that boards have important impact on research and development strategies (Kor, 2006; Pugliese et al., 2009), scope of the firm (Jensen & Zajac, 2004; Pugliese et al., 2009), and entrepreneurship and innovation (Hoskisson, Hitt, Johnson & Grossman, 2002; Pugliese et al., 2009), and strategic changes (Johnson, Hoskisson & Hitt, 1993; Pugliese et al., 2009). However, other variables can impact involvement in strategy, for example Mace (1971) states that CEO dominance over boards makes them passive contributions in the strategy space.

However, according to Lockhart (2012, pp. 4-5) it is a "process used by organisations to determine purpose, formulate strategy and embed that strategy into the broader process of management". Walker (1999), Brozovich and Totten (2012) and Lockhart (2012) both advocate that the board determines mission or purpose as an essential tool to drive strategic direction. "The board adds value by leading the development of the entity's purpose, goals and strategy. The boards must take ownership of the entity's strategic direction" (Institute of Directors, 2012, p.7).

The involvement of boards in an organisation's strategic management is thought to be on a continuum between low response and active response (Lockhart, 2012). Although, board involvement in strategy might be seen as desirable there are challenges. Board expertise; getting the correct and relevant information from management from agenda setting; and, asking the relevant questions are important (Crow, Lockhart & Lewis, 2014; Peebles, 2010). Establishing a well defined division of labour (Lockhart, 2012) between the board and management through a board-led discovery process is perhaps one way to get boards better involved in strategic decision making.

2.8 Measurement of Corporate Governance

There are many theories of corporate governance; with agency theory dominating the literature; as discussed above. Therefore, much of the empirical literature is based on agency theory and related input-output studies (Finkelstein, 2003; Gabrielsson & Huse, 2004). Gabrielsson and Huse (2004) describe this as research of convenience not relevance. CEO duality (Krause & Semadeni, 2013; Lincoln et al., 2013; Syriopoulos & Tsatsaronis, 2012; Tuggle, Sirmon, et al., 2010; Vintilă & Duca, 2013), director shareholding (Alchian & Demsetz, 1972; Kren & Kerr, 1997), director dependence/independence (Dalton et al., 1998; Deutsch, 2005; Hilmer, 1993; Johanson & Østergren, 2010; Mace, 1971; Ravina & Sapienza, 2010; Zahra & Pearce, 1989), board size (Dalton et al., 1999; Nur'ainy et al., 2013), women on boards (Adams & Ferreira, 2009), board meeting frequency (Brick & Chidambaran, 2010; Greco, 2011; Grove, Patelli, Victoravich & Xu, 2011; Vafeas, 1999), director attendance at meetings (Adams & Ferreira, 2008; Chou, Chung & Yin, 2013; Jiraporn, Davidson, DaDalt & Ning, 2009) are all examples of empirical research conducted using large secondary data sets.

This is not to suggest that this research has not been beneficial to the academic community. The research demonstrates that these structural variables are influential, for example there is some evidence that independent directors are overly sympathetic to management (Cohen, Frazzini & Malloy, 2012). However, research on board size, independence and leadership structure has found no relationship with firm performance (Daily et al., 2003; Dalton et al., 1998; Dalton et al., 1999).

One issue with examining structural elements of corporate governance is that only limited insight is ever produced (Gabrielsson & Huse, 2004; Leblanc & Gillies, 2005; Lockhart, 2010). However, what some of the input-output corporate governance literature does is create a form of reductionism when neither a theory of corporate governance nor its enables more through exploration of the phenomena.

This research has created prescriptions (that best practice is based on) that at best show inconclusive results (Forbes & Milliken, 1999) and at worst have no relationship at all (Dalton et al., 1998; Dalton et al., 1999). According to Gabrielsson and Huse (2004) this deficiency is due to missing variables such as context, behavioural, and change over time. Another explanation is that perhaps agency theory is only one part of corporate governance, rather than the primary cause of its existence.

2.8.1 The Black Box

Observing boards is notoriously difficult. The focus on input-output variables is described as research of convenience not relevance (Gabrielsson & Huse, 2004). Actual board behaviour and workings inside the boardroom have been considered as a “black box” (Huse, 2007; Lockhart, 2010). Forbes and Milliken (1999) argue that researchers need to open this black box and understand board process, viewing the board as a social construct through cognitive theories (Forbes & Milliken, 1999).

Opening the black box is difficult as Leblanc and Schwartz (2007) explain; with the major impediment for researchers being access to boardrooms. Corporate governance has proved to be an elusive “unicorn” (Johnson, Daily & Ellstrand, 1996) and a difficult process to study (Zahra & Pearce, 1989). Additionally, there has been much more discussion on what a board ought to be doing (best practice) rather than what they do, whether or not they do it and how they do it. Zahra and Pearce (1989, pp. 325-326) note that: “there are countless lists of what boards should do. Yet evidence on what boards actually do is not well documented”.

Gaining access to boardrooms can be hindered by the threat of lawsuits by opening up the board to external scrutiny (Daily et al., 2003). Leblanc and Schwartz (2007) found that gaining access to boards both difficult and time consuming. The major issues were confidentiality, the presence of a researcher and the risk of having important inside information shared with an outsider. However, Leblanc and Schwartz (2007) suggest that there are a variety of ways to get access to boards: direct

mailing, university guest lecturing, utilising a gate keeper, and leveraging access via prior access contact with individuals.

2.9 Corporate Governance in Closely-Held Organisations

Small organisations are comparatively less well studied by researchers in the corporate governance field (Clarke & Klettner, 2010). Why closely held organisations, family businesses and SMEs have not attracted the same degree of interest from the corporate governance research community is easily explained. In most of cases there is no equivalent surrender of wealth for uncertain returns (Berle & Means, 1991). While, the corporate governance processes may still be used in closely-held organisations, there is simply nowhere near the opportunity to invest nor is there the risk associated with that opportunity as provided by publically listed companies.

2.9.1 Family Business

Like much of the other corporate governance literature family business is divided into theoretical perspectives, again agency theory appears to dominate (Bammens, Voordeckers & Van Gils, 2011). It is argued that family business have a unique set of moral hazards that they have to contend with. Non-economic and economic self-interest are two such hazards, examples of non-economic self interests are maintaining family traditions or family employment. Additionally, parental altruism is another as is intra-family divergence of interests (Bammens et al., 2011) and entrenchment. Siebels and Knyphausen-Aufseß (2012) argue the empirical research shows that successive generations increase the size of shareholders and as the shares become more dispersed there is a lowering of organisational commitment to the business. Where at some stage along this normative development path the closely-held organisation becomes a quasi-public company and may eventually be listed presenting a continuum of corporate governance development.

The literature is discordant as to whether family agents behave as stewards or agents (Siebels & Knyphausen-Aufseß, 2012). Stewardship theory argues that family business has advantages and disadvantages. Advantages in the sense that compared to counterparts, family managers have much more firm-specific knowledge. However, they can be disadvantaged in general business knowledge. The research surrounding the resource based view mainly centres on unique family resources. The unique family resources are: human capital, patient capital, social capital, and survivability capital. Like much of the governance literature there is a lack of knowledge in understanding group dynamics such as affection, trust, cognitive convergence and affection (Bammens et al., 2011).

The motivation for governance reform is a result of the endless corporate governance crises fuelled by spectacular collapses of listed companies, and on occasion state owned enterprises. If closely-held companies fail it is the owner/founder and/or their families at risk for a business for which they have been almost entirely responsible. Risk is confined to the source of decision making, and decision making and ownership are likely to be closely aligned, rather than separated as is the context of Berle and Means (1991) treatise on the subject. Contributions in the family business and SME space have struggled to apply theoretical prepositions of corporate governance in this domain. However, that does not suggest it is of no consequence, it has mostly escaped the attention of research because of the lack of risk to external investors; the risk to internal investors remains the same. Another important consideration is the risk to debt providers, increasingly being addressed by the Basel III international banking accord, which is imposing “governance” on closely held companies, family business and SMEs

2.9.2 SMEs

The SME literature on corporate governance has different challenges; the lack of size is one. The definition of an SME varies depending on the context, many definitions usually look at the number of employees or financial measures, such as annual turnover or market capitalisation (Clarke & Klettner, 2010).

The research on SME's and corporate governance is limited. Fiegner, Brown, Dreux, and Dennis (2000) looked at the pressure on small company CEOs to have an outside board. They found that pressure is likely to come from external stakeholders' need for more control than from the companies own need to manage growth and succession effectively. Clarke and Klettner (2010) examined Australian listed SME's through interviews and identified their owner's thoughts about corporate governance. They argued that these companies need different regulation and compliance regime for corporate governance as often in these companies' owners and managers are not entirely separate groups. Recognition of unification as the need for separate regulation is at variance to much of the Anglo sphere. However, it does lend to the argument that they may require different codes of corporate governance than larger companies because they face different issues (notably unification). However, Denis (2001, p. 193) proposed in her paper that "Jenson and Meckling demonstrate that a manager who owns anything less than 100% of residual cash flow rights of the firms has potential conflicts of interest with the outside shareholders" and therefore, has a potential agency problem. Clarke and Klettner (2010) did not reduce their argument to one of agency as Denis (2001) describes, but suggested that with several substantial shareholders, those shareholders will have a greater incentive to monitor and there will be a likely reduction in agency problems, should they arise.

2.9.3 Closely-Held Entities

This issue of unification and agency is also apparent in closely-held entities (Uhlener et al., 2007). Although, there are very few studies looking at a closely-held firm as corporate governance seems to be the realm of the large publically list companies (Uhlener et al., 2007). Uhlener et al. (2007) stress the importance of a contingencies perspective, one that takes into account variables such as size, industry, location, company age, and location to name a few, when studying corporate governance. Perhaps then closely-held entities are as unique that even a common regularity framework would impose undue risk and expense.

Other research in closely-held entities focuses on the board (Ward, 1991). Ward (1991) in his book, gives a best practice guide to boards in private firms suggesting they be involved in strategy, companies mission and philosophy, creating a human resource plan, and looking at the difference between active and passive boards. These are all activities that an active and engaged board would be doing anyway-regardless of firm size.

2.10 Corporate Governance: The Case of One and Unification

The case of one and unification are important parts of the private, SME, and family business space although there is not much literature surrounding each of these concepts. The case of one (Allen et al., 2014) is a single director/owner/manager in an organisation that makes decisions by themselves without any legal input from any one else. The absence of the broader outside influence is probably very rare, but it does not appear to have been studied in the corporate governance space. This person would have to be very isolated from others in business decision making and additionally there would also have to be no other deemed directors, shadow directors, or de facto controllers. A case of one is contextual and is applicable in New Zealand only. This is because the Companies Act 1993 only requires one shareholder/director or the special case of one as discussed above. A distinction needs to be made here between the special case of one in a legal setting in New Zealand (which is common) as opposed to that in a broader corporate governance setting (expected to be uncommon).

Even though a case of one has not been studied; unification has been mentioned in academic literature (Clarke & Klettner, 2010; Uhlaner et al., 2007). Unification is confined to the case of one but it occurs where some separation has not yet begun to emerge. Of concern to this discussion and potentially of relevance to this research is whether corporate governance is applicable to cases of one or where other types of unification exists.

Most models and definitions of corporate governance are concerned with collective decision making not individual decision making. However, legally the structure of these entities does not matter in terms of the role that the director has to carry out by law. There are still provisions for duty of care, reckless trading, duty in relation to obligations, power of court to make orders for directors to repay or return assets, prohibition from management, power of court to disqualify, and liability for breach. If the assumption is made that these legal requirements are in fact corporate governance, then corporate governance appears to apply to all companies; including, the special case of one.

Lockhart (2014) is the only researcher to provide an opinion about unification and the case of one. He argues that corporate governance only applies to entities that have some degree of separation brought about by one of the following: capital beyond the owners, succession of the previous generation and hence the allocation of capital and withdrawal of board responsibility, and the outside director. Given that the courses target audience is expected to include legal entities with complete unification (spouses as shareholder/directors) and the case of one it becomes an important issue as to whether or not corporate governance is in fact applicable. At risk here is the prescription of corporate governance in a domain in which it has no relevance. This question is anticipated to be resolved as a consequence of this research.

2.11 Corporate Governance: Performance

There is an emerging assumption that corporate governance creates value. Creating some form of value is important because of the increasing cost of corporate governance (Chris & Richard, 2006). What value corporate governance creates and for whom is debated (Steger & Amann, 2008). For example, who value has been created for is ascribed mostly to the firm (Ionescu, 2012), but is also attributed to shareholder value (Madden, 2007), and stakeholders (Blanpain et al., 2011). What constitutes value varies but usually it is in the form of financial performance (Adams & Ferreira,

2009; Chou et al., 2013; Dalton et al., 1998; Dalton et al., 1999; Kren & Kerr, 1997; Nur'ainy et al., 2013; Syriopoulos & Tsatsaronis, 2012; Vafeas, 1999). However, Steger and Amann (2008) argue that corporate governance adds value in corporate evolution, values and code of conduct, transparency and accountability, core processes, selecting top management and setting incentives. Social, environmental objectives, and corporate citizenship are also considered areas of value creation (Huse, 2007).

The main measures of performance are financial performance indicators, usually are either market-based or accounting based measures (Huse, 2007). Each have their own advantages and disadvantages, although the majority of studies of corporate financial performance and boards focus on the 'usual suspects' presented earlier, the outsider ratio of members, the number of board members, shareholding of board members and CEO duality(Daily et al., 2003; Dalton et al., 1998; Dalton et al., 1999). In contrast, Huse (2007) thinks that board value creation is in the five key areas; board tasks, board culture board, leadership, board structures and board members. As opposed to tangible evidence that the company has produced value for shareholders and/or stakeholders.

It is worth noting that the overwhelming evidence from both individual studies (Daily & Dollinger, 1992; Kesner & Dalton, 1986) and meta analyses (Daily et al., 2003; Dalton et al., 1998; Dalton et al., 1999; Rhoades, Rechner & Sundaramurthy, 2001) fails to establish any clear relationships between board composition and/or leadership structure and corporate performance or behaviours. This lack of either relationship or causality remains a real problem in this space.

2.12 Corporate Governance: Training Interventions

To answer the research question: What is the impact of the DairyNZ Mark and Measure Farm Business Governance Programme on participants? A brief examination of the literature around corporate governance and training programmes is now conducted.

The professionalisation of corporate governance is underway. Many business schools now offer some corporate governance programmes for executives. Education institutions, Harvard Business School and the London Business School offer short courses. Private institutions like the New Zealand Institute of directors; are now offering courses. However, there is no main-stream literature on the teaching of corporate governance. Gioia (2003) discusses teaching teachers to teach corporate governance; however, the paper is more a discussion of the moral underpinnings of corporate governance. Gioia (2003) argues that business schools need to be teaching morals in corporate governance and refers to the obstacles to teaching these morals; rather than discussing what corporate governance is and the roles and responsibilities of directors, the pre-request of any corporate governance development or training intervention.

2.12.1 Frameworks for Evaluation Training

Three of the secondary questions are based around the evaluation of the training programme is summed up as follows: Does the corporate governance training programme have an impact on trainee's learning, behaviour and business performance? There are many ways to evaluate training models (Table 2-1). Of which one of the most common is Kirkpatrick's (Kirkpatrick, 1958, as cited by, Kirkpatrick & Kirkpatrick, 2006) four level model for training evaluation. This model among others has been previously adapted and used to study SME's in the New Zealand context (Khan & Ramsey, 2013).

Table 2-1.

Overview of the common approaches in training evaluation

Training evaluation model	Level/stage	Assessment objective
Kirkpatrick (Kirkpatrick, 1958, as cite by, Kirkpatrick & Kirkpatrick, 2006) Four Level Evaluation Model	Reaction level	Assess trainees satisfaction
	Learning level	Measure improvement in learning
	Behavioural level	Evaluate improvement in work behaviour
	Result level	Assess training impact on business
Philips (1996) Five Level ROI Model	Reaction level	Assess trainees satisfaction
	Learning level	Measure improvement in learning
	Behavioural level	Evaluate improvement in work behaviour
	Result level	Assess training impact on business
	ROI level	Assess training impact on in term of ROI
Kaufman's Five Levels Of Evaluation (Kaufman & Keller, 1994)	Enabling level (1a)	Assess availability of training resources
	Reaction level (1b)	Assess trainees satisfaction
	Learning level	Measure improvement in learning
	Behavioural level	Evaluate improvement in work behaviour
	Result level	Assess impact on business including ROI
	Societal outcome	Assess impact in terms of societal outcomes

2.13 Summary

There is no unanimous agreement among scholars on the definition of corporate governance as there are many paradigms and disciplines through which corporate governance is examined. The concept of control is observed to be the foundation of corporate governance. A behavioural definition of control (Walton, 1974) has been adopted for this study reflecting the social nature/fabric of the phenomenon in question.

Numerous theories contributed to the literature on corporate governance of which the dominant theory is agency. In addition to agency contributions are observed from stewardship theory, resource dependency theory, managerial hegemony, stakeholder theory and the team production model. Perhaps due to the dominance of agency theory much of the research in corporate governance has been around large US corporations; produced by input-output studies of convenience. There have been disagreements among the research community as to whether a stewardship model of corporate governance applies. There have been disagreements around corporate governance improving performance with no well-established link found. Research in the SME, family business and closely-held sector literature was found to be scarce. Lastly, the very idea of unification and whether or not governance occurs in this domain is yet to be the subject of attention.

There have been no articles in the mainstream literature around how corporate governance is taught. Corporate governance training in the SME field is more contentious because the case of one and unification produces real problems of whether this is actually corporate governance (Lockhart, 2014). Therefore, a training intervention does two things; it allows the exploration of unification and corporate governance and the exploration on how corporate governance is taught to SME, family businesses and private companies. By evaluating corporate governance training in this context it should allow insights as to how governance should be taught and if corporate governance applies where unification and a case of one exists. In short, little is known about corporate governance in spite of an increasingly large stakeholder community demanding from it greater accountability for business performance.

Part Two: Method

Part 1 The research problem	Chapter 1	Introduction
	Chapter 2	Literature Review

Part 2 Method	Chapter 3	Research Methodology
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Part 3 Results	Chapter 4	Document Analysis
	Chapter 5	Comparative Analysis
	Chapter 6	Qualitative Interviews

Part 4 Discussion, Conclusion, Limitations	Chapter 7	Discussion
	Chapter 8	Conclusions and Limitations

Chapter Three: Research Methodology

3.1 Introduction

The context, the research design and the research methods are described in this Chapter. First, the context is described and the paradigmatic stance and research design is explained. Then the methodology and the methods that have been adopted in this study are discussed. This Section is divided into three parts, namely, the document analysis, comparative analysis and the qualitative interviews. In each of the sections is an overview on how the data was collected, how the data was analysed and how the data was interpreted. Last, a summary is presented at the end of the Chapter.

3.2 Context and Overview of the Research Design

Researching governance has proven to be problematic. Researchers are currently confronted with one of two approaches. The first approach, and arguably the one most widely accepted, is the exploration and identification of indirect (secondary) variables using large data sets from publicly listed companies. However, to date this research has revealed little new knowledge. In the absence of any unifying theory relationships, if and when they are identified, are difficult to explain resulting in increasing dependency on prescriptions for best practice, such as independents, diversity, the removal of duality and so forth. Surveying and/or interviewing directors, identifying statistically significant trends, say power and influence is part of this technique. This too is subject to methodological weaknesses of which the obvious one is data integrity. How does the researcher know that what they have received is in fact an unbiased and objective recount? The second and emergent group of techniques is direct or less direct (primary) intervention in the boardroom,

referred to as black box research (Introduced in Section 2.8.1). These latter techniques use direct observation, direct engagement and direct interventions. However, they too create difficulties for the researcher not only in terms of gaining access but also in terms of understanding what it is that the researcher is actually observing – the classic research practitioner divide. Therefore, access to a governance intervention (the case study in question) presents an opportunity to both indirectly and directly evaluate course content; evaluate a priori knowledge and understanding of governance amongst participants; determine the efficacy of the intervention in enhancing knowledge and/or behaviour among participants; and, through primary techniques access both course impacts and governance behaviours. The challenge then becomes not one of gathering data and subsequent analysis but of developing an appropriate (rigorous, unbiased and precise) research methodology that may be conducted in near parallel fashion to the course, its development, and its impact.

In addition to the case introduction provided in Chapter One further comment on the context follows. The Dairy New Zealand Mark and Measure Farm Business Governance Programme (the Mark and Measure course) was designed to teach corporate governance to dairy farmers. The course was designed and developed with academics and practitioners in corporate governance, with experience in the land based sector.

The course was largely planned, designed and developed in 2012 for delivery from early 2013. Two parallel courses were offered, known as the Taupo/Wairakei course and the Queenstown course respectively. The Taupo/Wairakei course was largely targeted at dairy farm business who were expected to benefit from the introduction of formal governance - but largely hasn't done so to date.

By contrast the Queenstown course was targeted at dairy farm business that already had elements of governance systems in place owing to either scale or third party equity capital, deliberate succession across multiple generations, or other complexities. However, while the participants may have different a priori expectations the scheduled course content was near identical and the intervention the same. Therefore, one data set was produced for analysis from the two sources.

Variations in complexity and hence implications on the understanding of governance have been later addressed at the qualitative stage of the analysis.

The research intervention coincided with the delivery of the course (mid-2013) at which stage planning and design were complete and delivery was underway. Importantly the first round of quantitative data had been collected using a tool developed by practitioners (as opposed to researchers) - the Business Torque questionnaire (Table 3.1) Therefore, there was no opportunity to assess prior learning with these participants, although awareness of the opportunity and/or need for governance suggests some bias may have been present (the course was fully subscribed). The Business Torque questionnaire was developed to assess participants' knowledge of the Seven Practices, a classificatory rubric used to organise course content and delivery which was 'folded in to' the IoD's Four Pillars of effective governance.

To summarise, the intervention was underway, data had been collected and the research was subsequently framed, in a conventionally rigorous (unbiased and precise) manner over the opportunity of observing and engaging directly with directors using tools and techniques from conventional input-output studies as those found in 'black box' research.

The Seven Practices are actually prescriptions, designed by the developers of the Mark and Measure course, used to help companies and individuals to improve corporate governance. The Seven Practices were also used as a foundation for the reading material and course content.

The aim of this research was to examine a corporate governance intervention, namely the Mark and Measure course (Figure 3-1, for an overview of the research study). The research is grounded in a pragmatic paradigm using an embedded case study design with a three-stage explanatory sequential mixed methods design to evaluate the impacts of the training programme. The first stage included a document evaluation of the Seven Practices and the Business Torque Report against the academic literature. Analysing how corporate governance has been conceptualised in this training programme

and measured in this case. The second stage was quantitative questionnaire, the Business Torque questionnaire, which evaluated change in the Seven Practices. The third stage was a series of five qualitative semi-structured interviews, examining changes in level/stages in Kirkpatrick's Four Level Training Evaluation Model.

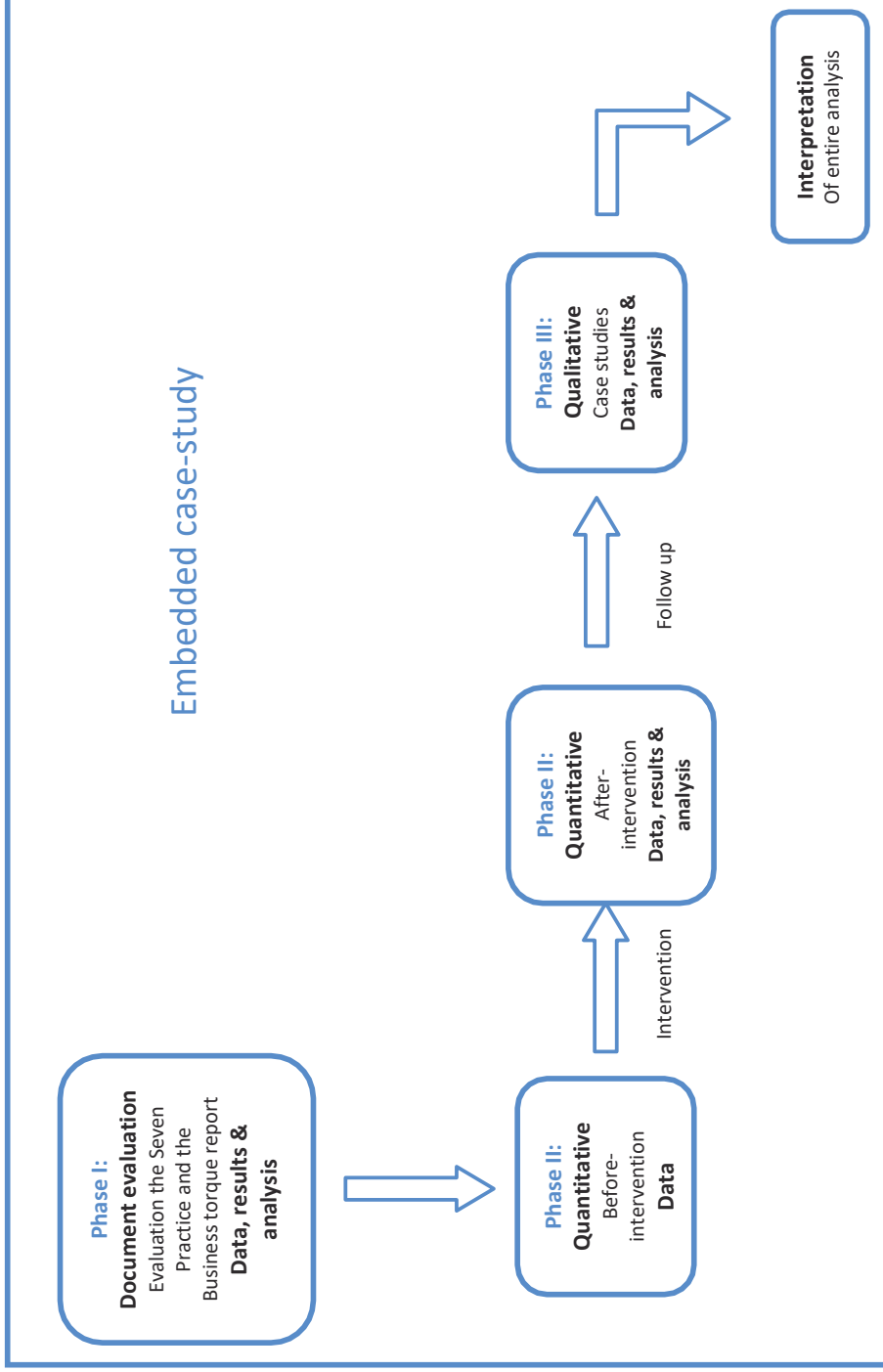


Figure 3-1. Outline for the study which is an embedded case study with an exploratory sequential mixed methods design. Adapted from Creswell (2014); Tashakkori and Teddlie (2010); Yin (2009).

Table 3-1.

Timeline for research showing the design and delivery of intervention and parallel research process

Timeline	Chronology of Intervention	Research Process
2012	Intervention design	
2013		
January to March	Data collection: 1 st Business Torque report Intervention- Mark and Measure course	Ethics approval for the use of quantitative data
April to June	Intervention-Mark and Measure course	
July to September		Literature review
October to December	Data collection: 2 nd Business torque report	Document evaluation
2014		
January to March	Mark and Measure course complete	Data production- pre and post intervention, comparative analysis Ethics approval for the qualitative data
April to June		Qualitative data collection and analysis
July to September		Write up

3.3 An Embedded Case Study Design with Sequential Mixed Methods

Units of Analysis

An embedded case study design with sequential mixed methods units of analysis was chosen because of the uniqueness of the research (corporate governance training appears to have not been studied before), scarcity of closely-held corporate governance literature, and conflicting theories of corporate governance. The rationale for choosing a case study design was because this is revelatory case. Private sector corporate governance training has not been studied, and there is little theory about corporate governance in the context within which the course was delivered. Additionally, this study looks at a contemporary set of events over which the researcher has little or no control (Yin, 2009). Hence, this is the ideal opportunity for case study methodology (Eisenhardt, 1989).

“A case study is an empirical enquiry that investigates a contemporary phenomena in depth within its real-life context, especially when the boundaries between the phenomena and context are not clearly evident” (Yin, 2009, p. 18). Case studies can use various sources of evidence, including: documentation, file data, site visits, interviews, participant observations, direct observations and physical artefacts (Yin, 2009). Yin (2009) argues that mixed methods can be used in case studies when the methods share the same questions. A sequential mixed methods design within the case study was, therefore used to evaluate the Mark and Measure course. A mixed methods design has both advantages (Creswell, 2014) and problems (Bergman, 2008, pp. 101-103). According to Bergman (2008), an explanatory sequential design is where quantitative data and results are followed up by qualitative data and results which are in turn interpreted, which poses difficulties in combining data. This problem has been avoided here by maintaining strict adherence to the sequential method.

Combined approaches have the advantage of providing a more in-depth evaluation of the proposed intervention, the document evaluation ought to provide context and thinking around creation of the Mark and Measure course. Whereas the qualitative approach allows for an in-depth knowledge of

participants' perspectives and data allows the examination of learning. In summary, the case study design had three phases. Phase One, document evaluation. Phase Two, the quantitative intervention, and Phase Three the qualitative interviews (Table 3-2).

3.4 Rationale for Pragmatism and a Case Study with a Mixed Methods

Design

Research in business is fundamentally linked to the philosophical and theoretical assumptions of the researcher. There has been much debate about terms such as 'theoretical perspectives', 'epistemological assumptions' and 'paradigms'. Fortunately the ensuing conflict between qualitative and quantitative methods is increasingly at rest with the rise of mixed-methods. Pragmatism has been used in this study to close the gaps between the quantitative and quantitative debate (Johnson & Onwuegbuzie, 2004).

The pragmatic paradigm epistemology is grounded in finding workable solutions and solving problems. It is real world orientated and focused on the consequences of actions. It views current truth, knowledge and meaning as changing over time. Knowledge is viewed as both constructed, and based in the reality in which participants, respondents, the business community and the researchers/me live in. The methodology used in pragmatism refers to the matching of methods to suit specific questions and purposes of research (Johnson & Onwuegbuzie, 2004).

The goal of this study was to evaluate a corporate governance course. Historically, getting into the "black box" of the corporate governance and boards has been difficult (Leblanc & Schwartz, 2007; Lockhart, 2010), the opportunity provided by the delivery of this course was one way to examine boards, governance theory, governance practices, and governance impacts as well as the impacts of an industry sponsored intervention.

3.5 A Theoretical Model for Evaluating Training Programmes

There are several popular and effective models for evaluating training models (see the literature review, Table 2-1). One of the most widely used is Kirkpatrick's Four Level Evaluation Model (Kirkpatrick and Kirkpatrick (2006). Kirkpatrick's Four Level Evaluation was used in this research (Table 3-2).

Table 3-2.

Four Level Evaluation Model aligned with the research methodology

Model	Level	Objective	How this level was measured in this study
Kirkpatrick and Kirkpatrick's (2006) Four Level Evaluation Model.	1. Reaction	Assess participants satisfaction	Qualitative interview
	2. Learning	Measure improvements in learning	Quantitative survey, Qualitative interview
	3. Behaviour	Evaluate improvement in work behaviour	Qualitative interview, Quantitative survey
	4. Results	Assess training impact on business	Qualitative interview

Note. Adapted from Kirkpatrick 1958 original Four Level Evaluation Model as cited in Kirkpatrick and Kirkpatrick's (2006)

3.6 Phase I: Document Analysis

In the literature review (Chapter Two) a range of theoretical positions of corporate governance, as well as a wide range of definitions were identified (a summary of this was presented in Section 2.15).

Three subsequent research questions were asked in evaluating the Mark and Measure course. What is the relationship between a corporate governance training programme and corporate governance? How has corporate governance been conceptualised? And, how has it been measured?

The document analysis looks at the Mark and Measure learning material and contrasts this with literature on corporate governance to determine similarities, groundedness and inconsistencies. Additionally, this analysis looks at how corporate governance has actually been conceptualised in the course. The development of the Business Torque questionnaire is also examined.

A variety of evidence was used to evaluate the conceptualisation of corporate governance, including the Mark and Measure course folder (which included the reading materials and explanations of governance) and the Seven Practices. Additionally interviews and email conversations with one of the developers of the course were also used to further understand course development and the conceptual thinking behind the course design, the Seven Practices and other logics (Allen et al., 2014).

3.6.1 Analysis

The Mark and Measure course material was compared to the literature to identify any gaps between the course and the extant literature on corporate governance. The Business Torque Report was compared to the literature on questionnaire design. The conceptualisation of corporate governance was compared in the Mark and Measure folder and the Business Torque Report to identify significance similarities or differences.

3.7 Phase II: Pre and Post Quantitative Evaluation

3.7.1 An Overview

The Second Phase of the research examined learning, Level Two of the Four Level Evaluation Model (Kirkpatrick & Kirkpatrick, 2006). This was measured using the Business Torque Questionnaire (Appendix Six: Redacted). The questionnaire was designed to measure the Seven Practices of corporate governance and is supposed to give the participants an idea of where they need to make improvements in their business relative to each of these Seven Practices.

Participants took the Business Torque pre- and post- the Mark and Measure course. However, prior to any to the quantitative data analysis of the case study problems were encountered with the measurement instrument that the Mark and Measure course used to assess change (see problems Chapter Four). The same group of people are measured over different times to determine if change has occurred. The quantitative evaluation is in fact, panel design. The drawback of a panel design is that it cannot determine cause-and-effect relationships as there is no control group (De Vaus, 2014), namely external industry and macro environmental noise on corporate governance could have influenced the change in outcomes.

3.7.2 The Intervention

The intervention was a governance development programme designed by DairyNZ, Business Torque (an advisor group in corporate governance and is also the designer of the questionnaire) and other professionals to enhance corporate governance in the New Zealand dairy industry. The development programme had two courses that started at the beginning of 2013; Taupo and Queenstown. Each of the two courses, had a total of five contact days, spread over 11 months. Between these courses, the participants were asked to complete tasks started in workshops and implement them in their businesses to not only enhance learning, but to embed a corporate governance system in their respective business.

The course was presented by a variety of business and governance experts including accountants, bankers, Institute of Director's members and influential farmers.

The key objective of the course was to create a positive change in the governance of the participants' businesses in a practical action-orientated way with the assumption that subsequent business performance would be improved. This included improving the governance behaviour and skills in the business and helping them to work together more effectively. In a family business, this meant including the attendance of more than one generation (if applicable) of partners and family councils or boards.

3.7.3 Quantitative Intervention Participants

DairyNZ using a convenience snowball sample engaged participants attending the Mark and Measure farm business development programme. The attendees consisted of owners, managers and boards of farms in New Zealand. Prior to the course all 53 participants responded to the questionnaire. Due to attrition, the response rate dropped to 49 participants (92 %) in the post intervention survey. Additionally one questionnaire was not completed correctly, bringing the total number of useable questionnaires to 48 responses resulting in a 92 % usable response rate.

3.7.4 Survey Instrument

The survey instrument was predetermined in this research and designed by Business Torque (a SME governance advisory company). It had been developed the preceding four or five years. Business Torque developed the questionnaire through reading and consulting experience in corporate governance. Business Torque tested the questionnaire throughout this process on the farming populations from 2008 to 2012. However, most of the questionnaire development was done prior to both the Mark and Measure course and the development of the Seven Practices.

The questionnaire had 174 items (Appendix Six: Redacted). There are seven subscales used to measure the seven practices of governance comprising of 112 items (Chapter Four). The questionnaire has not been used in academic setting.

3.7.5 Statistical Tests Used for Quantitative Analysis

Scores on the Business Torque Seven Practices were recorded and analysed using Statistical Package for the Social Sciences (SPSS) for Windows (version 21). Missing data was analysed using Little's Missing Completely at Random Test (MCAR)(Graham, 2012) and Cronbach's Alpha was used to measure the reliability of the scale as the sample size was too small to use factor analysis (Gaskin & Happell, 2014; Kline, 2005; Pallant, 2011). It should be noted that Cronbach's Alpha is only one measure of internal consistency, and that because of time and budgetary restrictions, other reliability and validity tests could not be done. To determine change in scores before and after the intervention (pre and post survey) a paired samples *t*-test were used (Field, 2013). Assumptions of the paired samples *t*-test included normally distributed data, which was tested by examining histograms, stem and leaf plots and skew and kurtosis levels. Finally, effect size was determined by Cohen's *d* (Cohen, 1992).

3.8 Phase III: Qualitative Phase Post Intervention

3.8.1 An Overview

The goal of the follow-up, qualitative study phase was to examine level one-reaction, three-behaviour and level four-impact on business (Table3-2). The qualitative portion of the study included five semi-structured interviews (Appendix Four and Five) measured three months after the intervention and was examined using a thematic analysis.

2.7.2 Qualitative Participants

The qualitative study included five cases with a total of nine participants from the original 48 respondents of the questionnaire. All cases were family farming companies. Cases one, two, four and five had two participants that were interviewed at the same time. In the cases with two participants both participants went on the course and they were coincidentally, farming couples

(married). Case three was the exception with only one member of the family business being interviewed.

Participants were chosen, to represent a range in the size of the organisation, ownership structure, and board structure. These participants therefore include cases of unification, formal board structures as well as representative ownership structures such as shareholders, succession and vendor financed transitions. All participants were residing in New Zealand and all were involved on the board/management of the farming organisations and were willing to participate in the study.

At beginning of the interview, the researcher introduced the nature and aim of the study both verbally and by distributing a Participants Information Sheet (Appendix Three). Ethical issues such as confidentiality were explained to the groups. A signed informed consent was obtained prior to the collection of any data. At any stage of the interview process, participants were able to stop interview recording and/or refuse to participate.

3.8.3 Thematic Analysis

A thematic analysis was used to analyse the qualitative data. A thematic analysis is a search across data sets to find patterns of meaning within various themes (Braun & Clarke, 2006). The recorded data was transcribed for each interview. The transcribed interviews were then coded and themes identified. Initial Codes were generated based on where and how the patterns occurred. From there, an examination of patterns was looked at in the data and pulled into themes. Next, the themes were reviewed. Lastly, the themes were defined and named (Braun & Clarke, 2006).

Ethics approval was granted for this at each stage for this study and was deemed to be low risk (Appendix Two)

3.9 Chapter Summary

This research was designed to investigate a corporate governance training course that had been commissioned by a levy funded organisation. An embedded case study and a mixed method (quantitative and qualitative) approach was anticipated to provide rich data to necessary to provide greater depth and insight into a complex that has yet to be studied. That an opportunity for research was exploited is in no doubt, overcoming many of the weaknesses of corporate governance research. However, on this occasion convenience was seen to coincide with relevance. The next Chapter describes the Mark and Measure course in detail, including the conceptualisation of corporate governance and how it has been measured. It also provides the results of the documentation analysis, quantitative analysis and quantitative analysis.

Part Three: Results

Part 1 The research problem	Chapter 1	Introduction
	Chapter 2	Literature Review

Part 2 Mthod	Chapter 3	Research Methodology
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Part 3 Results	Chapter 4	Document Analysis
	Chapter 5	Comparative Analysis
	Chapter 6	Qualitative Interviews

Part 4 Discussion, Conclusion, Limitations	Chapter 7	Discussion
	Chapter 8	Conclusions and Limitations

Chapter Four: Phase I: Document Analysis

4.1 Introduction

The aim of this Chapter is to explore the conceptualisation of corporate governance in the Mark and Measure course and provide an evaluation of the Business Torque questionnaire. The Seven Practices are examined in relation to the academic literature as a form of validation. The Seven Practices are the learning outcomes as well as the best practice recommendations produced by the Mark and Measure course. Next, there is a critical evaluation of the Business Torque questionnaire. Overall, the course assumes that corporate governance is applicable to the board of directors even though boards are seldom mentioned as such. Shareholders by comparison are passive and boards must create value for them. Management are responsible for day to day operations. The Seven Practices are validated by the literature, although the argument that the board should not be involved in some of the practices is developed in some detail. Finally, there are many methodological issues with the Business Torque questionnaire and caution needs to be applied when drawing conclusions from the data produced from this means.

4.2 Mark and Measure Course

An important aspect that needs to be taken into consideration when evaluating the Mark and Measure course is that the course is a result of a team project. The course development had many different ideas around the conceptualisation of corporate governance. However, data in this analysis was limited to the Mark and Measure folder, the Business Torque questionnaire and personal communication with the main developers of the course.

The DairyNZ Mark and Measure course is based on the Seven Practices. These Seven Practices are both the learning outcomes and the basis of conceptualising corporate governance in this course and the Business Torque questionnaire and report (Table 4-1 for an overview of the conceptualisation of the each aspect of the course).

The Seven Practices were developed from practitioner experience. The Seven Practices are based on the New Zealand Institute of Directors (IOD) four pillars of corporate governance. In addition to the Seven Practices, there are Seven Aptitudes were described in the Mark and Measure folder as the ideal 'attitudes' of those governing (Dairy New Zealand, 2013). In this Section, there is a discussion of the Seven Practices in relation to the academic and practitioner literature in an attempt to verify and understand these ideas.

Table 4-1.

An overview of topics and conceptualisations of the Seven Practices, the Seven Aptitudes, and the Business Torque questionnaire

Outline of concepts of the Mark and Measure course				
The Seven Practices as defined in the Mark and Measure course	The Seven Aptitudes defined in the Mark and Measure course	Concepts discussed in the Mark and Measure course	Concepts discussed in the Mark and Measure readings	Concepts in the Business torque questionnaire
Practice One: Acting with a purpose in mind- <i>Aligning every governance decision and action with the predetermined purpose of the business</i>	Understanding yourself and others	<ul style="list-style-type: none"> • Vision • Aligning stakeholders to vision • Decision making-learning and models • Strategy • Governance calendar • Governance charter • Leadership • Finding values on various topics • Personality testing- four elements personality test • Goal setting • Strategic management- SWOT, PESTE, market analysis, action plans • KPI's • Business planning-plot a plan for 2-5 years. 	<ul style="list-style-type: none"> • Values • Vision • Strategy • Continuity 	<ul style="list-style-type: none"> • Visionary thinker • Leadership • Examining Purpose, Vision, and Mission • Positive interdependence • Commitment • Strategic planning • Understanding different interests • Review our business' vision • Operational decision-making • Governance • Duties of a director • Balancing the interests of stakeholders • Reviewing board performance • Understanding reports • Values

<p>Practice Two: Holding effective governance meetings- <i>sustaining a pattern-holding effective governance meetings</i></p>	<p>Planning for focus</p>	<ul style="list-style-type: none"> • Building a strong family relationships • Agenda • Running AGM • Calendar of corporate governance • Meeting Minutes • Work plans and priority setting • Personality testing-four elements personality test • Council meetings • Interests register 	<ul style="list-style-type: none"> • Conducting meetings 	<ul style="list-style-type: none"> • Separation of management and boards • Governance framework or charter • Governance meetings • Healthy debate • Expressing their view/alternative views • Conflict avoidance • Power and decision making • Influence • Agenda and decision making • Preparation for decision making • Alternate information for decision making • Risk management • Conformity • Optimism
<p>Practice Three: Working with other people-<i>Thoughtful challenging and non-personal debating without groupthink</i></p>	<p>Understanding yourself and others</p>	<ul style="list-style-type: none"> • Communication • Debating • Decision making • Conflict • Creativity • Open mindedness • Groupthink- preventing/minimising • Do not vote • De Bono's hats 	<ul style="list-style-type: none"> • Board culture • Roles in family business 	<ul style="list-style-type: none"> • Duties of a director • Experience and abilities of the board • Family working together • Positive communication • Healthy debate • Expressing their view/alternative views • Good decision making • Personal conflict

		<ul style="list-style-type: none"> Understanding different roles in the board Personality test-DISC Model personality test. 		<ul style="list-style-type: none"> Good relationships Expressing views Good listening Conflict of interest Outside opinions Biased information Optimism Risk taking
Practice Four: Making the right decisions – <i>exercising discernment through prudent stewardship; creativity; and, a stable but not static system of policies and parameters</i>	Understanding business financials and KPIs	<ul style="list-style-type: none"> Decision making systems Policies –dividends, borrowing and expenditure Risk management Financial stewardship Understanding KPIs De Bono’s hats Identifying stakeholders (environmental, shareholders, banks, family, regulatory, employees, creditors, professionals, community and the entity itself) How to write policy and organisational manuals 		<ul style="list-style-type: none"> Advisory boards External coach/mentor Duties of directors Decision making Problem solving Finding other information Risk management Contingency plans Time management Searching for alternative courses of action Relationships with banks and lenders
Practice Five: Maintaining a learning orientation- <i>Assimilating new learning into</i>	Teaching that excites learning	<ul style="list-style-type: none"> Learning Review past decisions Upgrade governance framework Board performance Learning and inspiring 	<ul style="list-style-type: none"> Learning 	<ul style="list-style-type: none"> Expression of ideas Building individual knowledge Enjoyment in learning Effective decision making Board performance review Reviewing decisions

<p><i>current governance practice, bringing robustness to governance and new life-giving decision making skills to bear on challenges and opportunities</i></p>		<p>others</p> <ul style="list-style-type: none"> • Creating a learning plan • Adult learning theory-VARK learning styles • Mentoring and coaching • Policy • Board based performance • Board self-assessment 		<ul style="list-style-type: none"> • Strengths and weaknesses in business
<p>Practice Six: Knowing what is going on and what to do about it- <i>taking reasonability for achieving the predetermined purpose of the business by holding those responsible to account appropriately</i></p>	<p>Understanding business financials and KPIs</p>	<ul style="list-style-type: none"> • Understanding and creating reports • Recording and evaluating performance-through KPIs • Knowing when reports show the early signs of danger • Oversee budget creation • Asking questions • Stewardship • Holding manager to account • Understand financial reporting • Board Evaluation • Board self-assessment 	<ul style="list-style-type: none"> • Board evaluation • Holding to account 	<ul style="list-style-type: none"> • Governance framework/charter • Collecting information • Alternative courses of action • Importance of reports • Creating reports • Understanding financial reports • Measuring business performance • Budgets • Cash flow • Break-even for current financial year • Understand warning signs for financial trouble • Forgiveness
<p>Practice Seven: Managing risks effectively- <i>Proactively minimising the</i></p>	<p>Planning for focus</p>	<ul style="list-style-type: none"> • Identify and manage risk • Personality and knowing your risk appetite • Risks for framers • Risk management matrix 	<ul style="list-style-type: none"> • Enterprise risk management 	<ul style="list-style-type: none"> • Identifying risks including those that are: personal, environmental, and effect the community • Health and fitness

<p><i>likelihood and severity of future events that could negatively affect the business, bringing grounded confidence.</i></p>		<ul style="list-style-type: none"> • Risk management • Succession planning • Sustainability policy • Understanding legal framework • Knowing the changes in the legal framework • Ethics policy • Personal health risk • Managing health and safety • Wills • Insurance 		<ul style="list-style-type: none"> • Stress • Risk management • Contingency plans • Legal structure for business • Annual risk review • Understanding legal requirements • Legislative compliance • Values • Giving advice • Ethics
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4.3 Conceptualisation of Governance in the Mark and Measure Course and the Business Torque Report

There are many different views, theories and definitions of corporate governance. In order to understand the intended impact of corporate governance an understanding of how the Mark and Measure course defines corporate governance is essential. As discussed in Chapter Two, there is confusion about the concept corporate governance; it has become an 'all encompassing term' and its meaning is extraordinarily broad.

The Mark and Measure folder, which encompasses the course material and readings, offers no definition of corporate governance. However, it does suggest that "corporate governance is an activity and not a structure" (Dairy New Zealand, 2013, p. 32). Although not implicitly stated, the course suggests that corporate governance is the role of the board and that the boards are stewards of the entity. Some of the Seven Practices indicate that there is a stakeholder view of corporate governance and that corporate governance is more than just shareholder wealth. A definition developed specifically for the course was describing corporate governance was "the process of leading, controlling and directing a business so that it delivers a desired set of outcomes for the owners". In this definition, the board roles of governance are stated and the primary beneficiary for the governance activity-the owners- is explicit.

There is a focus on the board and management in the course. The Mark and Measure course differentiates the roles of the board and management. The board's role is strategic decision making and the manager's role is operational and tactical decision making. Governance is also described as business leadership and a way to plan so as to achieve a desired future. However, the Mark and Measure course is very quiet about the role of the shareholder in this process, except for recognising that it is the shareholder/owner who determines the risk appetite for the business.

In the Business Torque questionnaire, corporate governance is defined as:

making strategic decisions about your business on a regular basis, by gathering and assessing the right information to make decisions with, seeing how the business is tracking compared to plans and budgets, usually with an external person bringing objectivity, and basing those decisions on the realistic 'big picture' purpose of the business (Dairy New Zealand, 2013).

This is in line with Cadbury's (1992) definition of controlling and directing, although, other authors disagree with the board as not being management one step up rather and think that boards are ownership one step down (Carver, 2010).

However, the questions in the Business Torque questionnaire do not match the definition. The Business Torque questionnaire offers a different definition questionnaire but it measures wider range of concepts, than the definition offered. Examples such as, health, stress and learning are used in the questionnaire but are not part of the definition above (Table 4-1).

The Mark and Measure course is also inconsistent with respect to the distinction between board activities and management activities. The distinction is that boards are involved predominately in strategy and management predominately in operational and tactical decision making. However, the Mark and Measure describes the role of board as creating reports and KPIs (key performance indicators) but these are often argued as not being related to strategy and not one of the board's responsibilities (Andrews, 1980; Bongjin et al., 2009; Bordean, Borza & Maier, 2011; Demb & Neubauer, 1992; Roy, 2011).

Additionally, the different concepts that the Business Torque questionnaire examines show that there is a move towards an all-encompassing term for corporate governance including many concepts found in management, psychology, education, finance, law (Table 4-1). This course appears

then to be less about corporate governance and more about how to run an effective business (explored in Chapter Seven).

4.4 Problems in the Legal Understanding around Companies

The Mark and Measure course introduces companies in the section 'demystifying governance'. However, the developers of the Mark and Measure either did not understand the legal framework, which is highly unlikely, or sought to produce a less legally orientated framework. The first example of this is in the road map to formal governance (Figure 4-1). The first arrow in Figure 4-1 shows one example. There is no definition of a board of directors in the Mark and Measure course but a company is legally required to have at least one director and that one director is required by law to fill the director duties. It does not matter who is making the decisions, whether they are formal directors, informal directors, family members, an advisory board, a governing board or a board of directors and shareholders (in certain circumstances); the person(s) making the decisions are deemed to be the directors in a court of law. In addition, an advisory board, in particular an external advisory board cannot be making company decisions without being deemed directors and being liable for the company.

The second smaller arrow suggests that the legal entities move from the owner/operator to the company. The problem here is that a family business is not an entity and neither is an owner/operator but which is assumed to mean a sole trader. Secondly, companies are more popular than other entities in New Zealand because of limited liability; many times a company will be the starting point not an ending point, as described in Figure 4-1. Whether or not companies are the most common entity in the dairy industry is a moot point. Lockhart (2010) reported that trusts were the most common entity, however, like companies; trusts are required to follow the intentions of The Companies Act 1993, trustees responsibilities being akin to directors.

The second example of where the developers of the course have not understood some of the legal issues is around a case of one (Chapter Two). The Mark and Measure course tried to deal with the case of unification but misunderstands the New Zealand Companies Act. The Mark and Measure documentation states that the:

“Governing board with a sole director/owners partners - imitates a board of directors without all of the members of the board being directors. This means the ultimate decision making will lie with the owners/directors/partners. This is a useful structure for a business that is NOT a company but wishes to utilise the advantages of formality of a board structure or a company where the current directors do not wish to appoint any further directors.” (Dairy New Zealand, 2013, p. 32)

The course makes the mistake of suggesting that some additional forum for governance should be superimposed over that which is already in place rather than simply enhancing the extant legal entity. In reality, a company is a company upon its incorporation regardless of the special case of one, unification or either of these aspects. This compromise does a significant disservice to the meaning of corporate governance.

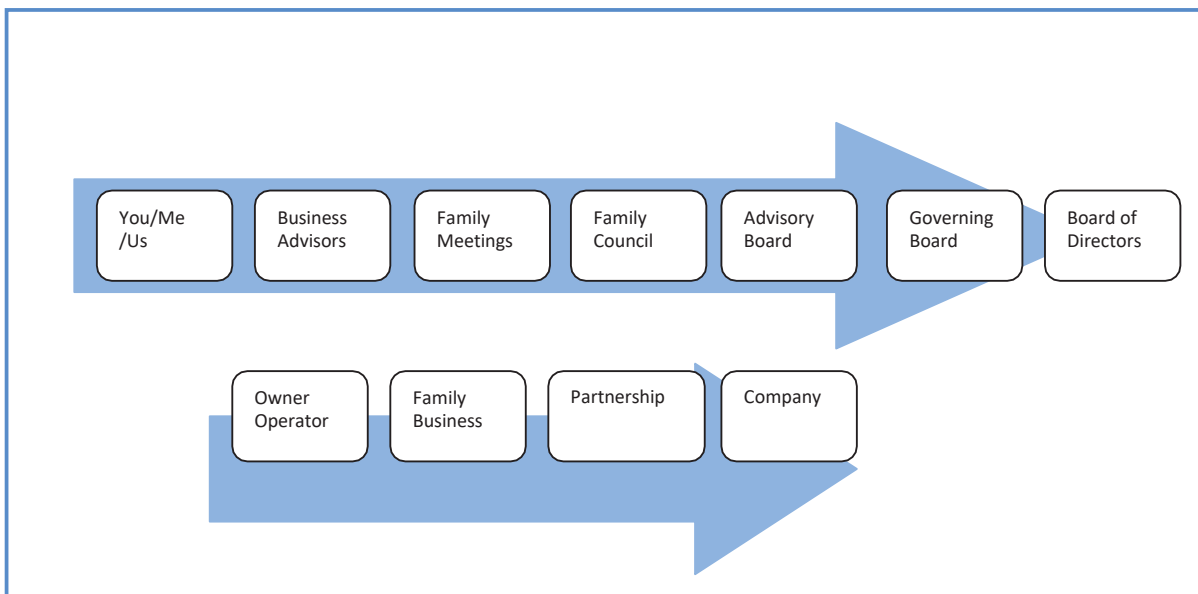


Figure 4-1. The road to formal governance as suggested in the Mark and Measure course (Dairy New Zealand, 2013)

4.5 The Seven Practices in the Mark and Measure Course

The Mark and Measure course identifies with and is delivered through Seven Practices and Seven Aptitudes (Table 4-1). This Section provides a critique of the Seven Practices and Aptitudes against the academic literature. This approach is designed to provide further supporting evidence for the research question, introduced in Chapter One: Does the corporate governance training programme have an impact on trainee's learning, behaviour, and business performance?

The problem with the Seven Practices, the Seven Aptitudes, the course material and the Business Torque questionnaire is that they do not align well; they are conceptually inconsistent. For example, in Practice Two: holding effective governance meetings, the questionnaire attempts to measure concepts as diverse as conflict, conformity, and relating to others. In addition, some of the concepts are so broad, namely personality that support from the literature is at best limited and goes beyond the Mark and Measure definition of corporate governance.

The practices were developed based on practitioner experience. However, it is difficult to determine why these practices were chosen over the other best practice codes in the literature. Gregory (2002a, 2002b) provides a comprehensive comparison of variations of governance best code practices. This work illustrates a vast number of different perspectives of corporate governance and the best practice roles for boards, which could have been adopted in preference to the Seven Practices selected here.

The Seven Aptitudes are more problematic. The Seven Aptitudes are attitudes and values that a person must have in order to achieve the 'best practice' of corporate governance. Although, these aptitudes might have a relationship to corporate governance, there is no research to confirm this and it is difficult to find supporting data as they are poorly defined (Table 4-1). The developers of the Mark and Measure course argue that a person's values can be changed. However, this neglects a body of evidence that indicates that people's basic values are largely fixed when they reach

adulthood, and change relatively little thereafter (Rokeach, 1968). Each of the Seven Practices is now reviewed in detail.

4.6 Practice One: Acting with a Purpose in Mind and Aligning Every Governance Decision and Action with the Predetermined Purpose of the Business

The first practice of governance is acting with a purpose in mind and aligning every governance decision and action with the predetermined purpose of the business. Practice One requires organisations to have a mission, a strategy, a direction, and a purpose that they wish to pursue. The difference between management and corporate governance in the Mark and Measure course is that governance is viewed as a higher level of decision making and is involved in strategy and determining the entity's direction. In contrast, management is more tactical and operational with an emphasis on planning, organising, co-ordinating, and controlling. In the Mark and Measure course, corporate governance and the associated strategic decision making are considered to be the task of the board.

The Mark and Measure course's prescription of strategic decision making, as a role of the board, is debated in the literature. Many authors argue for some kind of board involvement in strategy, however, little consensus exists regarding the nature of this role (Ingley & Van der Walt, 2001). There is limited empirical data on the board's role in strategy and the literature that is available is inconsistent. One reason could be that the role of the board is ill-defined and has changed over time (Pugliese et al., 2009). Another reason is that the definition of strategy is also often ill-defined. The board's role in strategy varies depending on the theoretical position, whether it is: agency theory, stewardship theory and/or the resource dependency theory.

However, one comprehensive study in the New Zealand context looked at the board's role in strategy (Inglely & Van Der Walt, 2005). The majority of the participants (65.8%) said that it was a combined management and board contribution to strategy development. The majority of the participants also said it was a joint management and board role for creating the vision and mission. These findings present some conflict to the Mark and Measure course's prescription of management being tactical and operational.

Generally, agency theory advocates that boards should not be involved in strategy, apart from monitoring. Agency theory promotes the notion of having independent directors in order to be objective in a monitoring role (Jensen, 1993; Short, 1996). There is some evidence that independent directors are overly sympathetic to management (Cohen et al., 2012) and that they do not strengthen corporate boards (Steven, 2005). These conflicts can arise between non-executive directors and senior management as independent monitoring entails critically questioning and opposing top executives (Ruigrok, Peck, & Keller, 2006). However, other literature asserts that outside independent directors often lack knowledge, time, and power to significantly contribute to strategy (Dalton et al., 1999). The Mark and Measure course does not support the common agency role of monitoring nor does it embrace independent directors to the same extent as agency theory. The Mark and Measure course argues for the use of external advisors or an advisory board⁴, but does not elaborate on this recommendation. Additionally, the Mark and Measure course advocates for questioning but does not comprehensively deal with managing the conflict that questioning can create.

In contrast to agency theory, Andrews (1980), and Carpenter and Westphal (2001) remark that boards are in a great position to add to strategy. This view supports the Mark and Measure recommendation of boards creating strategy. Despite disagreement on whether boards should be

⁴ The promotion of advisory boards and external advisors in a quasi-governance role is not recommended in New Zealand due to the inherent liability of deemed directors.

involved in strategy (Zahra & Pearce, 1989), research suggests that boards are becoming more involved in strategy (Bongjin et al., 2009; Ingley & Van Der Walt, 2005; Pugliese et al., 2009; Zahra & Pearce, 1989), perhaps the Mark and Measure course developers had anticipated this advance.

4.7 Practice Two: Holding Effective Governance Meetings

Orlikoff and Totten (2001, p. 12) state that “a truly unique aspect of governance is that a board exists only when it is actually meeting.” In much of the literature, corporate governance is synonymous with boards and board meetings. It is surprising then that the academic literature on actual board meetings is so scarce. Most of the writings are from the practitioner literature and have limited empirical data to support their recommendations on how to run board meetings effectively. This section looks at Practice Two: effective governance meetings and some of the ideas and research that is available.

Research on board meetings generally takes one of two perspectives. First, that meetings are beneficial to the shareholder. Alternatively, that board meetings are not necessarily useful as board members, and particularly outside directors, spend little time together and are not accustomed to the meaningful exchanges of ideas among themselves or management (Vafeas, 1999). The Mark and Measure course takes neither of these views. Rather, the course views the board meeting as good for the stakeholder and the entity in general.

Research on board meetings is difficult because large quantitative data sets that are motivated by the agency theory, such as those by Vafeas (1999), usually measure only structural aspects related to the board. The structural aspects include the frequency of board meetings (Brick & Chidambaran, 2010; Greco, 2011; Grove et al., 2011; Vafeas, 1999) or the rate of attendance at meetings (Adams & Ferreira, 2008, 2009, 2012; Chou et al., 2013; Jiraporn et al., 2009). The research there suggests that poor organisational performance could be related to an increased frequency of board meetings

(Brick & Chidambaran, 2010; Vafeas, 1999) arguing that boards are not proactive but reactive to organisational crises. However, there is also some evidence for an increase of board meetings relating to an increase in financial performance (Grove et al., 2011; Vafeas, 1999). Additionally, it has been found that particular incentives can increase director attendance at board meetings (Adams & Ferreira, 2008, 2012; Chou et al., 2013), but none of these issues are described as being important in the Mark and Measure course material.

Later studies looked at the cognitive and behavioural aspects of board meetings (Tuggle, Schnatterly & Johnson, 2010). Tuggle, et al. (2010) argue that board meetings are a key mechanism for directors to be informed. Being informed means that directors can take an advisory role and the boardroom can be a potential source of creative thinking and growth for the organisation (see Appendix Five for an overview of literature on board meetings). The Mark and Measure course argues for more of a decision making role to be assigned to the board rather than an advisory role.

In contrast to the empirical literature, the practitioner literature is more extensive. Dunne's (2005) book: "Running Board Meetings: How to Get the Most from Them", is probably the most comprehensive practitioner text on board meetings. There is an emphasis on group dynamics, especially social and psychological aspects. However, the practitioner literature also has a focus on creating an effective and concise agenda (De La Torre, 2005; Gautam, 2005; Moore, 2010; Oliver, 2004; Orlikoff & Totten, 2001), duration of meetings (Dunne, 2005), location of meetings (Dunne, 2005; Hein, 2011; Orlikoff & Totten, 2001), technology used in meetings (Dunne, 2005; Hein, 2011), whether senior staff should be present at board meetings (Carver, 2006), having a clear purpose and clear contribution and opinion (Dunne, 2005; Oliver, 2004), preparation for board meetings (Dunne, 2005; Weston, 2009), and attendance at meetings (Sonnenfeld, 2002). The Mark and Measure course has similar ideas to this stream of literature, particularly around creating agendas and how to run meetings.

4.8 Practice Three: Working with Other People

The Third Practice discusses working with other people. Working with other people involves thoughtful challenging and non-personal debating in order to get consensus without groupthink (Table 4-1). Practice Three encompasses both structural elements, suggesting not using a voting system at board meetings, and psychological, social and group processes that boards need in order to perform effectively as a group.

4.8.1 Cohesiveness and Groupthink

Groupthink was a major component to the Third Practice of corporate governance. Groupthink has been related to corporate governance by the Mark and Measure course as well as the IoD (Dairy New Zealand, 2013; Institute of Directors, 2004). This introductory paragraph will explain groupthink and then shift to the research in the corporate governance and board literature on groupthink and board cohesiveness.

Janis (1972) states that groupthink is "a quick and easy way to refer to a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when the members' strivings for unanimity override their motivation to realistically appraise alternative courses of action" (p. 9). Janis (1972) also argues that a high degree of cohesiveness can lead to defects in decision making (p. 199). What makes groupthink interesting is its popularity as a concept despite the relatively weak empirical evidence to support the original concept (Paulus, 1998). In fact, Turner and Pratkanis (1998) argue that *no research* has supported Janis' original model of groupthink, although it is being used recently in studying board decision making (Maharaj, 2008). In addition, Paulus (1998) went further to suggest that the popularity of groupthink can be attributed to the corporate world, which perpetuated this concept despite the absence of evidence that verifies its existence or effects. Paulus (1998) contended that, "if [social scientists] do not maintain significantly higher standards than the self-promoting management gurus, the credibility of our field will suffer greatly" (p. 371).

Groupthink is derived from a sociologist's perspective and is not a cognitive bias but closely resembles other problems in decision making such as the bandwagon effect⁵ and herd behaviour⁶. There are a large number of problems and biases a group can have in decision making; the psychological literature identifies many different cognitive biases that affect decision making (Asch, 1956; Caverni, Fabré & Gonzalez, 1990; Tversky & Kahneman, 1973). But the Mark and Measure course only focuses on one, namely groupthink. Not only does the course focus on one, it looks at it as encompassing a wide range of problems with decision making.

Groupthink is not the only questionable part of the third practice. In fact, the entire practice could well be in doubt. Reasons for this are twofold, first, this practice with reference to the particular population (SME's) that is being studied ignores the legal framework in New Zealand. The legal framework in New Zealand only requires one director for an organisation and therefore, working with other people would not necessarily apply to all participants. Secondly, those that have more than one director are already working with others in Practice Two: holding effective meetings. Therefore, the practice appears to be entirely unnecessary.

Little research has been conducted on how boards work together as a group (Gabrielsson & Huse, 2004). Instead the focus has been on convenient structural input-output studies (Chapter Two). In these studies, CEO duality, director shareholding, dependent/independent director ratios and board size are common (Finkelstein, 2003). The topics examined around the 'human' side of boards are: diversity, trait theory of boards, leadership, power and emotions. Quite why, not only the Mark and Measure course, but also the Institute of Directors and others have inadvertently settled on one highly challengeable cognitive bias remains to be explored.

⁵ Bandwagon effect is "An accelerating diffusion through a group or population of a pattern of behaviour, the probability of any individual adopting it increasing with the proportion who have already done so. It occurs in situations in which people believe that their interests are served by joining a fashionable movement, as when soldiers decide during a revolution or civil war to defect to the rebel faction because many others have already defected"(Colman, 2009).

⁶ Herding behaviour is how individuals in a group (herd) can act together without planned action (Raafat, Chater & Frith, 2009).

4.8.2 Diversity

Another common demographic measurement is the diversity of the board as a group. Diversity, although ill-defined, (Du Plessis et al., 2012) is usually studied as: female representation, culture, race, age, and/or nationality. Female representation has dominated the debate (Daily et al., 2003; Du Plessis et al., 2012; Mathisen et al., 2013). Some researchers claim that female presence is beneficial to a board (Adams & Ferreira, 2008, 2009). The percentage of females on corporate boards is 8-12 percent (Leblanc & Gillies, 2005), with the exception of countries that regulate the amount of female directors, i.e., mostly in Northern Europe (Du Plessis et al., 2012). The general position of the director recruitment, studied by Leblanc and Gillies (2005), was that experienced senior business executives were sort after as opposed to directors of a particular gender. The Mark and Measure course raises awareness of diversity through the focus of getting better board processes into the boardroom.

4.8.3 Trait Theory

Moving away from demographics, some researchers have looked at the social processes taking place in boards and have developed trait typologies for boards (Dunne, 2005; Leblanc & Gillies, 2005). Leblanc and Gillies' (2005) is perhaps one of the more comprehensive studies on how boards work together. From their research, they have developed traits for dysfunctional and functional boards (Table 4-2). Leblanc and Gillies (2005) explain the behavioural traits in detail and purport that they are used to build better boards. They promote the need to make a change to board selection based on competency and behavioural characteristics suggesting that this will make for more efficient decision making.

The Mark and Measure course discusses functional behaviours in the Seven Aptitudes. It also mentions dysfunction in terms of poor group decision making and problems around decision making, such as groupthink. The course does not use trait research around functional and dysfunctional boards as defined by Leblanc and Gillies (2005).

4.8.4 Leadership

Like much of the corporate governance literature, leadership is defined by structure, particularly CEO duality (Leblanc & Gillies, 2005; Vandewaerde, Voordeckers, Lambrechts & Bammens, 2011). There is no observable relationship between leadership structure and financial performance (Dalton et al., 1998). The Mark and Measure course argues that leadership does impact performance. This follows the view of Heracleous (1999) to move away from measuring structural variables toward in-depth qualitative longitudinal data of actual board behaviours.

4.8.5 Power

Gabrielsson and Huse (2004) examine the context and the behavioural and evolutionary perspectives in their literature review of corporate governance and boards. A large part of the behavioural perspectives of boards is the influence of power and decision making (Demb & Neubauer, 1992; Finkelstein, 2003; Gabrielsson & Huse, 2004). The contribution of directors - particularly independent directors - is in the willingness and skill of converting power sources to influence the boardroom (McNulty & Pettigrew, 1996). However, when empirically studied, boards typically agree with the CEO's decision making 97.5 percent of the time (Schwartz-Ziv & Weisbach, 2013). They question whether there is perhaps too much influence and power exerted by the CEO. Finkelstein (2003) suggests that opposing the dominate CEO in order to engage in constructive conflict while avoiding destructive conflict is especially difficult. The Mark and Measure course suggests strategies to mitigate conflict, but suggest little about the influence of power and does not mention the CEO as the dominate source of power in the boardroom.

4.8.6 Context and Social Capital

Pye (2004) is one of the few researchers to consider the importance of context in corporate governance. Pye (2004) explains that examining context allows for the exploration of corporate culture. Corporate culture is thought to be important in decision making (Minichilli et al., 2012; Pye,

2004). Pye (2004) offers a different theoretical stance using a social capital perspective for examining corporate governance. Furthermore, research suggests that a strong relationship, where social capital is high between the CEO and the Chairman, may be detrimental to corporate governance (Pye, 2004; Pye & Pettigrew, 2005). The Mark and Measure course does briefly reflect upon culture and the significance of creating the right type of culture in the boardroom but it does not explore the CEO and Chairman relationship in detail.

Table 4-2.

Functional and dysfunctional board traits

Functional Directors	Dysfunctional directors
Conductor-Chairs	Caretaker- Chairs
Change Agents	Controllers
Consensus-builders	Conformists
Counsellors	Cheerleaders
Challenges	Critics

Note. Adapted from Leblanc and Gillies (2005)

4.9 Practice Four: Making the Right Decisions

Practice Four: making the right decision, is directly related to the first practice. As such, making the right decisions is based on the predetermined business' purpose created in Practice One. If a decision does not fit with the goals, values, or mission, then a more appropriate decision needs to be found. This practice has crossovers with the literature on strategy, as discussed in Practice One. Some of the practitioner literature supports the view that board decisions should be in line with the business goals, values, and mission (Brozovich & Totten, 2012; Rangan, 2004).

The research on the rest of this practice, exercising discernment through prudent stewardship, creativity, and a stable but not static system of policies and parameters; is complex and encompasses a wide range of literature. Some coming from the corporate governance literature and some found in other disciplines. Decision making through stewardship orientation is mostly studied in the management level (Davis et al., 1997). The difficulty here is that stewardship has been mostly related to management and has not been studied at a board level. However, in the Mark and Measure course, the stewardship role has been applied to the board.

Creativity in a board's decision making is most closely summarised by Forbes and Milliken (1999). Creativity was also studied in board decision making cultures by Huse (2004) (cited in Huse, 2005) where creativity was positively related to advising and strategic participation. The description of creativity is limited in the Mark and Measure course, although the course suggests it is necessary for good decision making.

The last part of this practice is described as working with others; it is described as having a stable but not static set of policies and parameters. Whether boards should be involved in policy creation is debated in the literature (Henry & Harms, 1987; Zald, 1969). Zald (1969) argues that by authority of law and in voting, the directors have to be involved in policy. However, there appear to be a few cases where the board influences management about actual policy and practices. A more recent paper also argues that, with rare exceptions, the board of directors exercise weak governance compared to managerial hierarchies (Starbuck, 2014). Corporate governance policies need to look further than just the interest of the corporation in the short-term as these short-term policies could cause harm to humanity and Earth (Starbuck, 2014). The Mark and Measure course also advocates for the creation of policies and decisions with a wider context in mind, such as the environment and the community, but it does not discuss the power that management could potentially have in the policy setting process.

4.10 Practice Five- Maintaining a Learning Orientation

The fifth Practice is maintaining a learning orientation. This is an especially difficult practice as there appears to be no academic research examining this practice in relation to corporate governance. The practitioner literature argues that there needs to be some form of director training (Fortney, 2011; Stomierowski, 2009) and PricewaterhouseCoopers has quantified the board of directors thoughts about education in their Annual Corporate Directors Survey (PricewaterhouseCoopers, 2013).

PricewaterhouseCoopers data suggests that the perception of director training is changing. In 2012, 41% of the surveyed directors said that they believed that all directors should be required to attend board training/education on an annual basis. That figure rose in 2013 where 59% responded yes to the same question. Small companies appear to be more supportive of mandatory board education than larger organisations. Directors are reported to spend more time on education in the 2013 survey compared to 2012. However, this activity is better considered professional training rather than developing a learning orientation at a board level.

The way in which the Mark and Measure course has described this practice would be more similar to self-development and lifelong learning (Livingstone & Guile, 2012) rather than something that solely applies to corporate governance. Therefore, whether this practice should be included in the governance training course remains open to debate. A learning orientation is hardly a board activity; it is, however, an individual skill.

4.11 Practice Six: Knowing What Is Going On and What To Do About It

The sixth practice: is knowing what is going on and what to do about it. The key aspects of this practice are understanding the entity and holding the responsible party to account -usually the management. The Mark and Measure course (2013) describes this part of the practice as understanding the financial reports, understanding how reports can reveal early warning signs of danger, and knowing where the business is heading if it stays on its current track. The board's role is to oversee the creation of a realistic budget, make sure the business is on track, and ask a lot of questions.

Understanding what is going on has been identified as a key role of the board by many researchers (Bruce, 2012; Lipman, 2007; Orlikoff & Totten, 2003; Securities commission, 2004). Monks and Minow (2011) describe many of the obstacles a board encounters when trying to understand what is

going on. One of the obstacles is information flow. A key aspect here is that the directors can never know as much as the management does about the organisation. Directors, therefore must rely on correct and timely information from management. The Mark and Measure course does not address this structural business feature perhaps because of the context and the small farming businesses that make up most of the target audience.

Monks and Minow (2011) went on to say that the CEO usually has a dominant role in selecting and inviting board members to join the board. CEOs often look for “consensus builders” for the board roles. However, a board of consensus builders with a dominant CEO can create problems in getting information needed for addressing issues for which the board is responsible. The next issue is the financial and practical limits. The actual rate that directors meet, time and resources that they can devote may be insufficient in some cases to perform to expectations of the business, shareholders, or stakeholders. The Mark and Measure course does not cover aspect of malfeasance or the limitations of time and resources that the directors may have.

The second part of the sixth practice is holding to account. Holding to account is the willingness to take responsibility and not to pass blame on unless it is warranted. The Mark and Measure course defines it as a willingness to make one accountable to others. Only when the board is willing to hold themselves to account can they hold others to account appropriately (Dairy New Zealand, 2013). Generally, the practice requires holding management to account, although in the case of one, where the board are the management, it requires monitoring oneself and holding oneself to account.

Much of the research takes an agency perspective on corporate governance. As such, accountability usually focuses on corporate accountability to shareholders. However, Brennan and Solomon (2008) consider this framework to be changing to include stakeholders. There has also been a move towards broader and more effective mechanisms of accountability. Traditional accountability mechanisms include the board of directors, governance regulations, financial reporting and disclosure, and external audits. Newer accountability mechanisms include environmental, social and

governance considerations in institutional investment, greater transparency, social responsibility, and stakeholder inclusivity (Brennan & Solomon, 2008). The Mark and Measure course has included these newer mechanisms in their course content.

4.12 Practice Seven: Effective Compliance

Practice Seven: effective compliance, means managing risks effectively by choosing cost effective ways of minimising either the likelihood and/or severity of future events that could seriously affect the business. Additionally, this practice appears to include contention in the understanding of the legal requirements for companies, succession planning, ethics, and policy making.

The literature on risk management varies depending on the role of the board, the management and shareholders, and the theoretical position taken by the study. Enterprise risk management is an emerging research field that examines the ability of top management teams to oversee the risks faced by an enterprise (Beasley, Clune & Hermanson, 2005). Most of the corporate governance research in this field has been conducted mostly in large public organisations in the United States of America focusing on compliance to various acts and legislation (Beasley et al., 2005; Kleffner, Lee & McGannon, 2003).

Understanding the legal compliance for entities varies depending on the context, the legal framework, and whether the entity is closely-held or publicly listed. Little research has been conducted looking at compliance in New Zealand for the board of directors with the exception of that by Ingley and Van Der Walt (2005). They found that 0.7 of the directors surveyed were involved in strategy for risk management. The Mark and Measure course suggests that all directors should be involved in risk management but Ingley and Van Der Walt (2005) argue that directors have concerns about their reliance on management for information. The Mark and Measure course does not address this concern; again, this maybe a feature that varies depending on the context.

The Mark and Measure course argues that boards have to pay more attention to succession planning as a part of mitigating risk. Failure to plan for succession has been found to be one of the main reasons why many first-generation businesses do not survive past their founders (Lansberg, 1988). Although, planning for succession is important it can also be very difficult (Keating & Little, 1997). Keating and Little (1997) identified five stages in farming family succession planning in New Zealand. The five stages were: watching for interest, reducing the pool of eligible candidates (usually through a long process of decision making), assessing commitment, compensating others and placing the successor. Surprisingly this research was not in the Mark and Measure course but it can well be a helpful addition to it as it examines the same population.

Lastly, ethics, social responsibility, and sustainability have become a large part of corporate governance and a part of the Mark and Measure course. Felo (2001) examined the board of directors, their potential conflict of interest in a shareholder orientation, and the board's involvement in ethical programmes. Additionally, research has examined the management's treatment of institutional investors (Westphal & Bednar, 2008) and executive compensation (Cennamo, Berrone & Gomez-Mejia, 2009). The Mark and Measure course covered some of these topics but not those relating to institutional investors.

4.13 Summary of the Seven Practices

Overall, most (five of the seven) of the seven practices have been validated by the literature. However, there are also fair and reasonable debates concerning their use. There are many codes and practices in the literature that are ignored in the Seven Practices. The definition of the term corporate governance is also unclear in the written Mark and Measure course material. Five of the Seven Practices are supported by academic literature with the exception of Practice Three: working with other people and Practice Five: a learning orientation. These two practices appear to be

superfluous and redundant; neither adds value to the construct of corporate governance. Practice Three appears to confuse the meaning of corporate governance and Practice Five could well be viewed as an individual life skill alongside many others required for credibility and performance in the business world. A critique of the Business Torque questionnaire will be conducted in the next section.

4.14 Questionnaire Critique

Part of the document analysis is a critique of the questionnaire. The aim of this was twofold: to lead to the validation of the quantitative section of the mixed methods design and to allow for a more in-depth evaluation of the construct development. This review helps answer the research question: How has corporate governance been conceptualised in the training programme? And, how has corporate governance been measured? Through the examination of the questionnaire, it appears that a very broad conceptualisation of corporate governance has been used and, as a result, the questionnaire appears to have been poorly developed.

4.15 Evaluating the Construction of the Questionnaire

There are many problems with the indicators that measure corporate governance (Table 4-3). Kline (2005) suggests that there are nine steps in the process to evaluate/create surveys. These steps are: no double-barrelled questions, be precise, brief, no awkward wording/dangling constructs, avoid irrelevant information, present items in a positive language, avoid double negatives, avoid words like all and none, and avoid words like frequently and sometimes. The Business Torque questionnaire appears to have ignored this and similar construction rubrics.

Table 4-3.

Indicators that have violated the suggested nine steps for evaluation

Violation	Number of indicators violate Kline (2005)	Item number
More than one central theme also called double barrelled questions	54	8,10,11,19,23,24,27,28,30,31,34,36,38,41,42,45,47,48,49,51,52,66,68,69,73,74,75,77,78,80,93,95,98,110,115,116,118,119,123,124,125,127,139,144,147,150,155,156,157,158,159,160,162,164
Be precise	40	1,2,4,9,12,13,17,18,22,35,37,39,41,42,43,44,64,70,71,78,79,81,105,127,130,131,131,133,136,136,150,151,156,157,158,160,161,162,169,172
Be brief	3	101,128,131
Avoid awkward wording or dangling constructs	12	25,29,32,37,39,43,99,102,111,112,120,122
Avoid irrelevant information	0	
Present items in positive language	0	
Avoid double negatives	0	
Avoid terms like <i>all</i> and <i>none</i>	9	76,84,86,96,101,102,103,104,173
Avoid indeterminate terms like <i>frequently</i> or <i>sometimes</i>	4	105,110,113,114

One concern in the Business Torque questionnaire is that it was developed before the creation of the Seven Practices. In an attempt to link the Business Torque questionnaire to the Seven Practices, questions were removed from the questionnaire (Appendix Six: redacted) and a subscale was made (Appendix Seven: Redacted). Based on this, it is difficult to establish reliability and validity of the questionnaire. There was also no scoring system used to position participants on each of the Seven Practices.

In summary, it is difficult to establish the reliability or validity of the Business Torque questionnaire. Substantially, more research needed to be done on the development of the questionnaire before it was distributed. These problems could have been mitigated if more research on the development of the questionnaire had been conducted..

4.16 Summary

The first part of the document analysis examined the conceptualisation of corporate governance in the Mark and Measure course. The Seven Practices were then reviewed in relation to corporate governance literature and discussed in detail. The concept of corporate governance as defined by the Mark and Measure course material was noted as different from that in Business Torque questionnaire. There was a number of methodical issues with the questionnaire. Validating the questionnaire through statistical techniques and the examination of the data of the Business Torque questionnaire are conducted in the following chapter.

Chapter Five: Phase II: Pre and Post Comparative Quantitative

Evaluation

5.1 Introduction

This Chapter presents the pre and post intervention comparative data. The research question is first addressed, then the missing data is discussed, removed items explained, and reliability checking is completed. Next, the data analysis is conducted using a paired samples *t* test and the results summarised into tables.

5.2 Research Question

The purpose of this pre and post quantitative evaluation was to answer the research question: Does a corporate governance training programme have an impact on trainee's learning? This applies to the second level of learning in Kirkpatrick's (2006) model.

The null hypothesis maintains that there is no difference between the two compared means: $H_0: \mu_1 = \mu_2$. The alternative hypothesis, which cannot be true if the null hypothesis is true, maintains that there is a difference between the two compared means: $H_1: \mu_1 \neq \mu_2$ (Bryman, 2012). In this study the hypotheses applied to this research are:

H_0 : There is no difference in the Seven Practice scores after the DairyNZ Mark and Measure Farm Business Governance Development Programme Course.

H_1 : There is a difference in the Seven Practice scores after DairyNZ Mark and Measure Farm Business Governance Development Programme Course.

5.3 Missing Values

Scores on the Business Torque Seven Practices were recorded and analysed using Statistical Package for the Social Sciences (SPSS) for Windows (version 21).

Due to attrition, only 48 of the original 53 participants completed all questionnaires at the two measurement points. The five cases that did not complete the second questionnaire were removed from the analysis (N= 48).

Many items in the questionnaire had high percentage of missing values (Appendix Eight). There were less missing values from pre-test (T1) to post-test (T2). The total missing data was 635 responses in T1 compared to 494 responses in T2 (Appendix Eight). To determine whether the missing values were non-random or random Little's Missing Completely at Random (MCAR) test was conducted. The MCAR test obtained for this study's data resulted in a chi-squared = 2185.15 (df = 13984; $p < 1.0$), indicating that the data was missing at random (Graham, 2012). Missing data was subsequently treated using an exclude pairwise option within SPSS of Window (Version 21).

5.4 Removed Items

Two of the items from Practice Four were removed. Items 55: *"we have established an Advisory Board"* and item 58: *"we use an external coach or mentor to help us with our decision-making"*. These two items are categorical and the rest of the items in the scale were interval on a five point Likert scale. Scoring for these two questions was, therefore infeasible as they required categorical data and the questionnaire had no scoring scale to make this data usable.

5.5 Reliability Data

Since the Business Torque report is a new measure, it was important to check its reliability. Reliability analyses were conducted on the Business Torque Questionnaire at T1 and T2. Table 5-1 shows the Cronbach's alpha reliability coefficients for each subscale. Scores less than .7 indicate a low Cronbach's alpha, particularly for new scales (Pallant, 2011). The next Section looks through each of the Seven Practices and their associated Cronbach's alpha scores in Table 5-1. Practices with scores less than .7 were examined further and questions that were contributing to lower scores were removed to increase reliability.

Table 5-1

Cronbach's Alpha Coefficients for Business Torque Questionnaire showing the seven practices subscale scores

Subscale	T1	T2
Practice one: Acting with a purpose in mind	.853	.932
Practice two: Holding effective governance meetings	.750	.811
Practice three: working with other people	.784	.710
Practice four: Making the right decisions	.755	.818
Practice five: maintaining a learning orientation	.758	.834
Practice six: knowing what is going on and what to do about it	.734	.855
Practice seven: Managing risks effectively	.779	.768

Note. T1= Measurement time one; T2=Measurement time Two (n=48).

5.5.1 Practice One: Acting With A Purpose In Mind.

From the outset, the internal consistency of the first subscale was acceptable at .853 and above the minimum .7 across the two measurement points, indicating that the 24 items were essentially measuring the same concept (Pallant, 2011). Accordingly, no items were removed.

5.5.2 Practice Two: Holding Effective Governance Meetings.

The initial analyses of Practice Two produced alpha coefficients of .611 for T1 and .746 at T2; lower than the .7 needed. Examination of the individual question scores lead to the selection of potentially problematic items. In Practice Two five items were removed which improved the Cronbach's alpha score to .746. Removed items were Item 65: *"I don't get involved in management when it is not my role"*, Item 114: *"when making decisions, especially important decisions: we take excessive risks sometimes"*, Item 115: *"when making decisions, especially important decisions: those against a decision can sometimes be characterised as too weak or stupid"*, Item 113: *"when making decisions especially important decisions we can sometimes have unwarranted optimism about decisions we make"*, and Item 112: *"when making decisions especially important decisions certain members try to prevent dissenters from raising objections"*. A total of 15 items then remained in this Practice.

5.5.3 Practice Three: Working With Other People.

The alpha coefficient had a marginal value of .690 at T1 and .792 at T2. One item was removed from the analysis; Item 110: *"when making decisions, especially important decisions: we sometimes invent justifications for an action about to be undertaken this preventing misgivings and appropriate second thoughts"*. The total items remaining were 24.

5.5.4 Practice Four: Making the Right Decisions.

The alpha coefficient has a marginal value of .664 at T2 and .740 at T1. Consequently, one item was removed from the analysis; Item 110: *"when making decisions, especially important decisions: we sometimes invent justifications for an action about to be undertaken this preventing misgivings and appropriate second thoughts"*. Practice four was, therefore, left with a total of 10 items.

5.5.5 Remaining Subscales.

Practice Five: maintaining a learning orientation, Practice Six: knowing what is going on and what to do about it and Practice Seven: Managing risks effectively all had adequate alpha values ranging from .710 to .855. Accordingly, no items were removed.

5.6 Assumption Check.

Pallant (2011) lists five main assumptions of a paired samples t-test; each of these were considered in turn. First is the scale of measure. Interval or ratio data are required for a paired samples t-test; but, there is debate as to whether Likert scales provide effective interval data (See Jamieson, 2004). The second is dependent data, that is, if the same participants were being tested across the measurement points. Scales of both measurement and dependent data assumptions were again met.

The third assumption is random sampling. This assumption was violated as random sampling was not used. However, the whole population of the course was measured. The fourth is that of normality; namely, that each group of scores should be approximately normally distributed. There was little departure from normality observed through the examination of histograms, stem and leaf plots and also of skew and kurtosis levels (as seen in Table5-2) (with the exception of Practice Three). Overall, the paired sample *t*-test was considered appropriate statistical technique for this research to determine whether or not a corporate governance training programme had an impact on trainee's learning.

Table 5-2.

Skew and Kurtosis for each of the Seven Practices

Variable	Skew	Kurtosis
Practice one	-.66	2.19
Practice two	-2.01	8.58
Practice three	-7.23	.741
Practice four	-.46	-.049
Practice five	-.23	-.131
Practice six	-.82	1.90
Practice seven	.91	3.22

Note. Acceptable levels of skew $<|2.0|$ and kurtosis $<|9.0|$; Posten (1984).

5.7 Descriptive statistics

A 5 point Likert scale was used for scoring on each subscale; with, 1-being strongly disagree, 2-disagree, 3-neutral, 4 agree and 5- strongly agree. There was also an additional no applicable choice. Table 5-3 summarises the mean ratings and standard deviations of scores obtained by all participants on each subscale.

Table 5-3.

Means and Standard deviations for each of the Seven Practices

Subscale		T1	T2
Practice one: Acting with a purpose in mind	M	3.514	3.915
	SD	.515	.496
Practice two: Holding effective governance meetings	M	3.446	3.720
	SD	.429	.401
Practice three: working with other people	M	3.366	3.544
	SD	.324	.315
Practice four: Making the right decisions	M	3.871	4.198
	SD	.451	.420
Practice five: maintaining a learning orientation	M	3.828	4.102
	SD	.467	.500
Practice six: knowing what is going on and what to do about it	M	3.744	4.105
	SD	.499	.487
Practice seven: Managing risks effectively	M	3.293	3.683
	SD	.479	.4881

Note. T1= Measurement time 1; T2=Measurement time 2 (N=48)

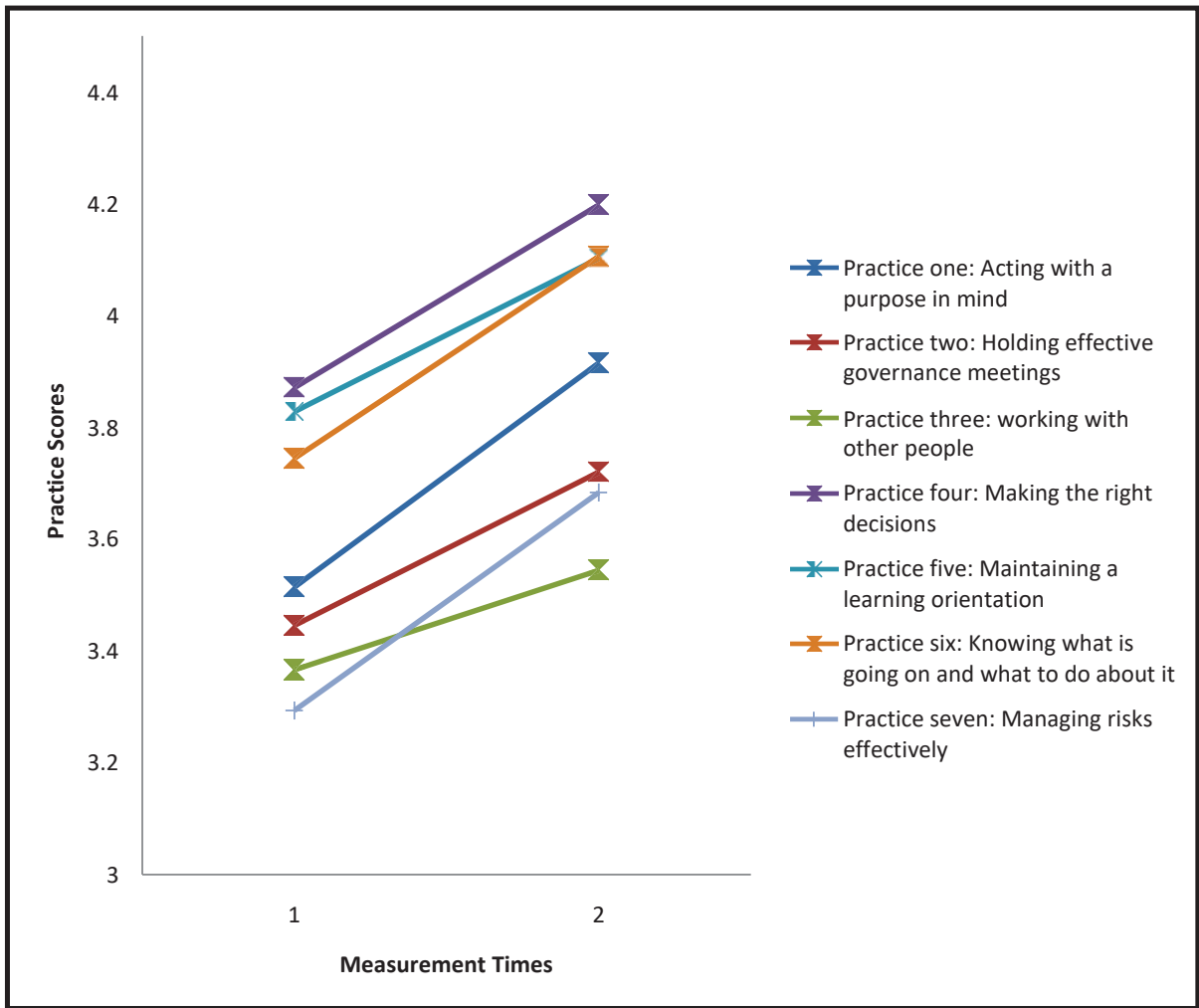


Figure 5-1. Means scores obtained on the Seven Practices by all participants over the two measurement points (n=48).

As shown in Figure 5-1, Practice Four: Making the right decisions had the highest score of the Seven Practices at both T1 and T2. Practice Five: Maintaining learning orientation had the second highest score but did not change as much as Practice Six: Knowing what is going on and what to do about it. Consequently, Practice Six had the second highest score at T2. Practice Seven: Managing risk effectively had the lowest score at T1 but improved at T2. Overall, there was an increase in all of the Seven Practices. whether these increases are significant is explained in the following section.

5.8 Paired Samples *t* Test

A paired samples *t* test was conducted to determine if there was a significant change in scores from T1 to T2. All *t*-tests carried out were two-tailed and the alpha level was set as .01, unless otherwise specified (Practice Three).

5.8.1 Practice One: Acting With A Purpose In Mind.

To test the hypothesis that the means for the pre training ($M= 3.51, SD = .515$) and post training ($M= 3.91, SD = .496$) in Practice One were equal, a paired samples *t*-test was performed. Prior to conducting the analysis, the assumption of normally distributed difference scores was examined. The assumption was considered satisfactory since the skew and kurtosis levels were estimated at -.659 and 2.186, respectively, which is less than the maximum allowable values for a *t*-test (i.e., skew $<|2.0|$ and kurtosis $<|9.0|$; Posten (1984)); suggesting that the paired samples *t*-test is appropriate.

The null hypothesis was rejected for Practice One, $t(47) = -5.25, p < .001$. Therefore, the post-training mean was statistically significantly higher than the pre-training mean. Cohen's *d* was estimated at 0.05 which is a very small effect based on Cohen's (1992) guidelines. A graphical representation of the means and adjusted 95% confidence intervals (Loftus & Masson, 1994) is displayed in Figure 5-2.

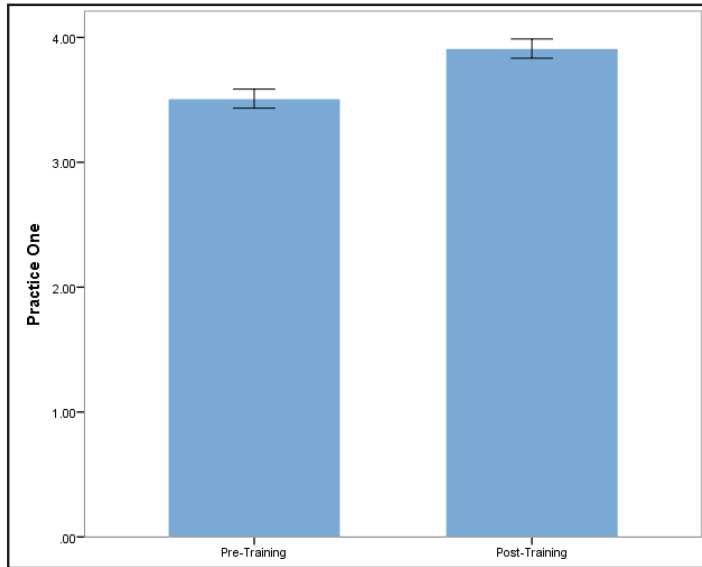


Figure 5-2. Practice One means and 95% CIs associated with the pre- and post- training conditions.

5.8.2 Practice Two: Holding Effective Governance Meetings.

Pre training ($M= 3.44$, $SD = .42$) and post training ($M= 3.72$, $SD = .40$) scores were also examined for Practice Two. Scores were normally distributed with skew and kurtosis of -2.07 and 8.58 respectively. The null hypothesis was rejected, $t(47) = -4.02$, $p < .001$. Thus, there was a statistically significant increase in scores between time one and time two in the second practice. Effect size was very small ($d=0.11$). A graphical representation of the means and adjusted 95% confidence intervals (Loftus & Masson, 1994) is displayed in Figure 5-3.

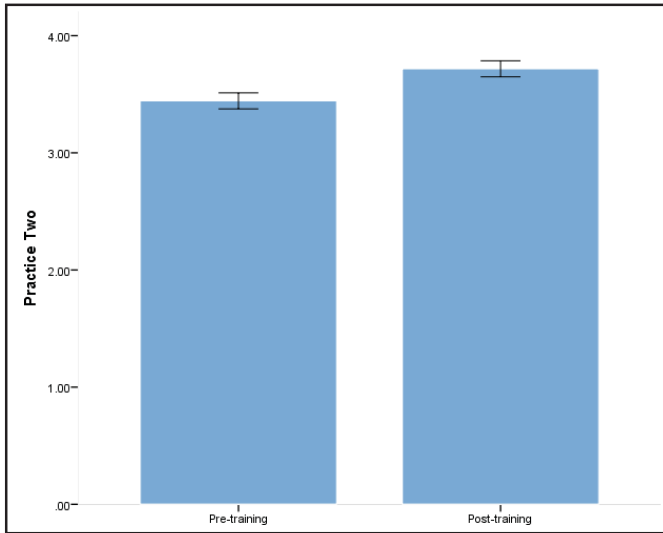


Figure 5-3. Practice Two means and 95% CIs associated with the pre- and post- training conditions.

5.8.3 Practice Three: Working With Other People.

Practice Three violated the assumptions of normality with a skew of -7.23, which is a score outside the range suggested by Posten (1984), but the a kurtosis score of .741 as acceptable. Because of this violation a Wilcoxon signed rank test (Allen & Bennett, 2012) was used to determine if there are any difference between T1 and T2. There are three assumptions when using a Wilcoxon signed rank test, independence (of the participants), scale of measurement (the dependant variable should at least be ordinal), and the symmetry of the distribution of difference scores should be roughly symmetrical. Each of these assumptions was met for this test. The alpha level was set at .05.

The Wilcox signed rank test indicated that there was a statistically significant change in T2 compared to T1., $T=273.0$, $z -3.07$ (corrected for ties), $N\text{-Ties}= 47$, $p=.002$, two-tailed. Relative to the pre-training rankings, 15 participants had scored a lower score after the training then before (Sum of ranks =273.00), while 32 participants had higher scores after the training than before the training (Sum ranks =855.00). Only one participant reported the same score before and after the training. The effect size (Clark-Carter, 2010) was considered medium (Cohen, 1988), $r= -.44$.

5.8.4 Practice Four: Making the Right Decisions.

Practice Four had a normal distribution with a skew score of $-.46$ and a kurtosis score of $-.04$. The difference between the two means was statistically significant, $t(47) = -5.92, p < .001$. Cohen's d was very small at 0.12 . A graphical representation of the means and adjusted 95% confidence intervals (Loftus & Masson, 1994) is displayed in Figure 5-4.

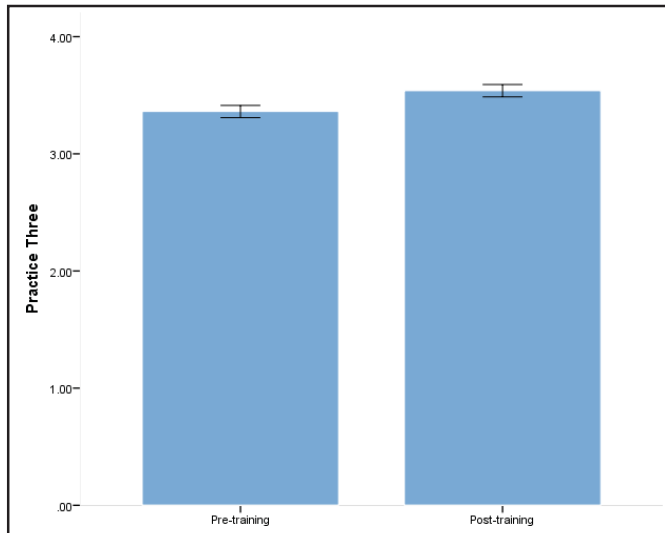


Figure 5-4. Practice Four means and 95% CIs associated with the pre- and post- training conditions.

5.8.5 Practice Five: Maintaining a Learning Orientation.

Practice Five had a normal distribution with a skew score of $-.23$ and a kurtosis score of $-.131$. The difference between the two means was statistically significant, $t(47) = -4.35, p < .001$. Cohen's d was very small at -0.12 . A graphical representation of the means and adjusted 95% confidence intervals (Loftus & Masson, 1994) is displayed in Figure 5-5.

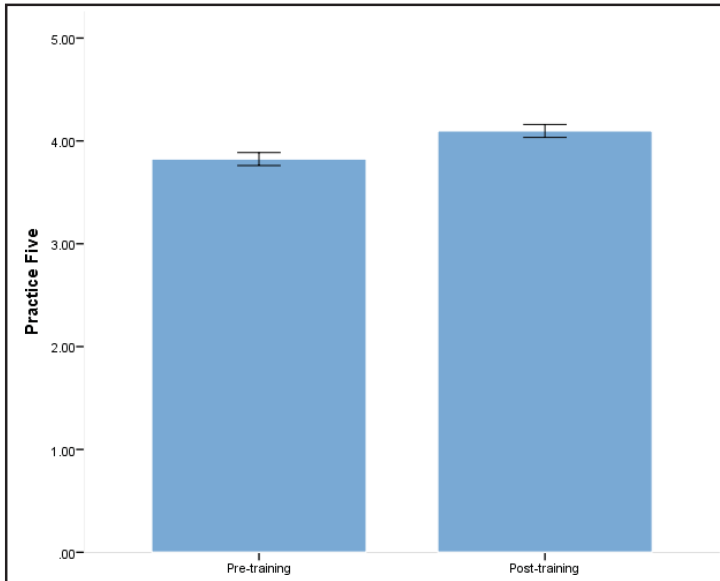


Figure 5-5. Practice Five means and 95% CIs associated with the pre- and post- training conditions.

5.8.6 Practice Six: Knowing What Is Going On And What To Do About It.

Practice Six also had a normal distribution with a skew score of -.82 and a kurtosis score of 1.90. The difference between the two means was statistically significant, $t(47) = -5.01, p < .001$. Cohen's d was very small at 0.04. A graphical representation of the means and adjusted 95% confidence intervals (Loftus & Masson, 1994) is displayed in Figure 5-6.

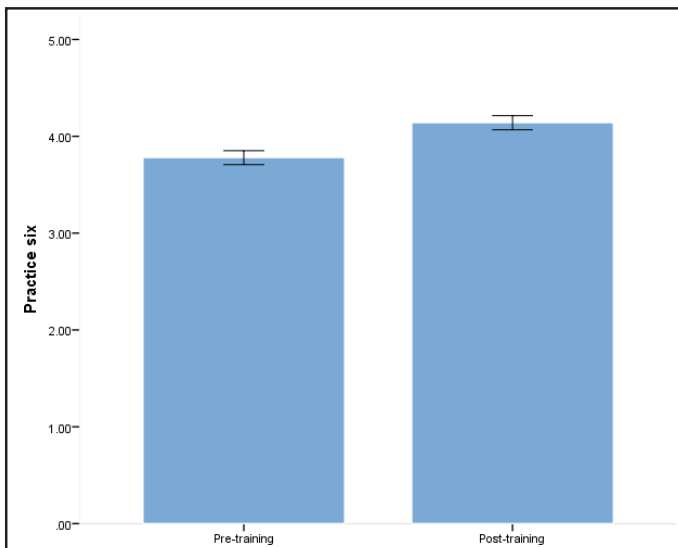


Figure 5-6. Practice Six means and 95% CIs associated with the pre- and post- training conditions.

5.8.7 Practice Seven: Managing Risks Effectively.

Practice Seven had a normal distribution with a skew score of .91 and a kurtosis score of 3.22. The difference between the two means was statistically significant, $t(47) = -5.82, p < .001$. Cohen's d was very small at -0.03 . A graphical representation of the means and adjusted 95% confidence intervals (Loftus & Masson, 1994) is displayed in Figure 5-7.

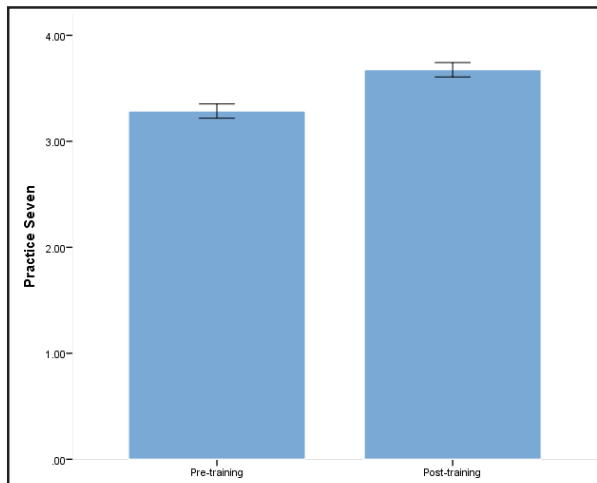


Figure 5-7. Practice Seven means and 95% CIs associated with the pre- and post- training conditions.

5.9 Summary

Despite reservations surrounding the validity and reliability of the Business Torque questionnaire, and with much data cleaning the governance intervention appears to have achieved significant change (although, the effect size was very small for most of the practices) to the trainees learning. However, that considerable effort was made to produce a more effective measurement tool should not be neglected. Much data had to be removed, and the responses to numerous questions entirely ignored.

Chapter Six: Phase III: Qualitative Phase Post Intervention

6.1 Introduction

This chapter presents a discussion of participants' personal experience of DairyNZ Mark and Measure Farm Business Governance Development Programme Course developed through the use of a qualitative study of five participants. This section examined four research questions:

- How has corporate governance been conceptualised?
- Does the corporate governance training programme have an impact on trainee's learning?
- Does the corporate governance training programme have an impact on trainee's behaviour?
- Does the corporate governance training programme have an impact on trainee's business performance?

Data pertaining to the qualitative analysis consisted of the interviews ranging from 20 to 50 minutes with nine participants through five interviews. To ensure the anonymity of the participants, any material that could identify them personally has been modified or removed. Generic terms were used to replace identifying information in quotes, such as personal names and place names. Pseudonyms have also been chosen for participants. These steps have been taken to protect the participants' privacy and confidentiality.

Two major themes with associated sub-themes were identified. These themes captured most of the data (Figure 6-1) collected for the qualitative research. The first theme to emerge was how the participants had conceptualised corporate governance. The associated sub themes were to emerge were: a high level examination of the entity, a structure, setting direction, and that is different from management and will increase performance. The second theme was based on Kirkpatrick and

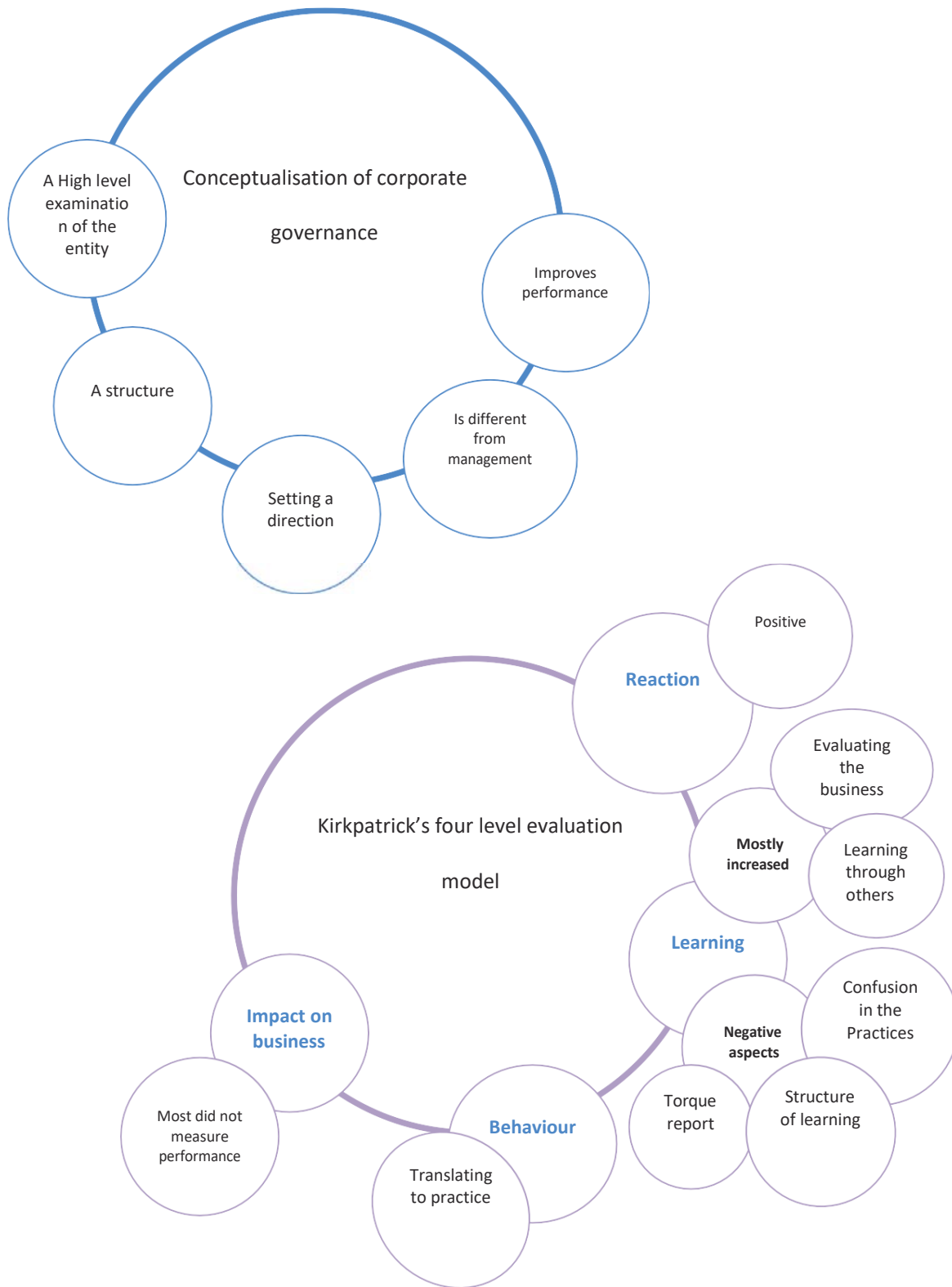


Figure 6-1. A thematic map showing the main themes and associated sub-themes in the qualitative interviews.

Kirkpatrick's (2006) four level evaluation model namely: reaction, learning, behaviour and impact on the business.

6.2 Theme 1: The Conceptualisation of Corporate Governance

The first theme, the conceptualisation of corporate governance, consisted of the participants' personal definition of corporate governance and associated examples. All participants thought that governance was synonymous with boards. Most of the participants took the more broad definition of corporate governance which had four subthemes namely, a high level examination, a structure within the business, setting a direction, and is different from management.

For example a high level examination in corporate governance was described as:

[Corporate Governance is]

It's an umbrella over the business... (4)

And,

...looks at the big picture... (1)

And,

Or like the helicopter...overlooking the business and taking the emotional side out of it. (5)

And,

...it is being able to have a bit of a bird's eye view. (3)

Some thoughts on corporate governance as a structure included:

[Corporate Governance]

Having a structure in place... (1)

And,

Originally I went in thinking that it was like the skeleton of the body but having done the course I think we the people are the bones and governance is what holds it strong. (5)

Most saw governance as setting a direction:

[Corporate Governance]

... setting direction and monitoring the performance and making sure that you are going in that direction. (4)

And,

...it's about the what not the how. (2)

And,

...the health and direction of the business... (1)

One participant distinguished corporate governance from management

[Corporate Governance]

...the direction of the business rather than the everyday management. (1)

However, one of the participants also noted that governance wasn't that simple:

What really sticks out is that there are no text book answers to governance. So it is more of a realisation. It was the realisation of what it actually is compared to the expectations of what it is...there is no one silver bullet (3)

The fifth subtheme in the conceptualisation of corporate governance is that corporate governance improves performance. This subtheme was an underlying notion and perceptions were consistent that corporate governance would improve performance:

Absolutely. [In reference to governance improving performance]... I think that potentially you have all of the brains on the board focusing on what you are discussing then you are putting energy in there which has to translate into performance. (5)

In summary, the conceptualisation of corporate governance provided a window into the participants' personal meanings of corporate governance. There were various definitions that fit in to four sub themes including: a high level examination, a structure with in the business, setting a direction, and that it is different form management. In addition, the fifth subtheme had an underlying expectation that corporate governance improves performance.

6.3 Theme 2: Kirkpatrick's Four Level Evaluation Model

One of the goals of this study was to evaluate an intervention aimed at improving corporate governance of farming businesses. This was done using Kirkpatrick and Kirkpatrick's (2006) four level evaluation model. There were four subthemes with further subthemes to provide a more in depth explanation of the four levels in the model (figure 6-1). The levels are described as: reaction, learning, behaviour, and impact on business.

Reaction

The first subtheme was reaction. There was a generally positive view among the participants that course was good.

There was a general consensus from the group that the course was beneficial:

It was well worth the money spent. It was really good actually... I think that it is the sort of course that you could actually do twice and you would still take something away the second time. (2)

And,

I thought that it was good...Good interaction. Good speakers. They were pretty honest and frank. (3)

And,

We got good value out. The content was good. (4)

And,

I don't think that they could have done much better. (5)

Learning

The second level, learning in Kirkpatrick's model, had two subthemes. Learning was divided into 'mostly increased' and 'negative aspects'. The theme 'mostly increased' was further divided into evaluating the business and learning through others. The second subtheme is negative aspects,; which, is divided into confusion in the Practices, the structure of learning and the Business Torque Report.

Mostly Increased

This sub theme showed that most of the participants understood the Seven Practices (Table 6-1). Table 6-1 provides an overview of the researcher's observations and participant's discussion of the Seven Practices in the interview. As Table 6-1 shows most of the participants understood the majority of the Seven Practices. This sub theme is further divided into evaluating the business and learning through others.

The evaluating business sub-theme conferred participants' experiences of stepping back from their businesses to evaluate where they are and what possible outcomes they could achieve. Many participants noted that they stepped back from their business in some sense to evaluate. One participant said:

Thinking outside the box a bit more and taking a step back from the business. I think that we learnt that from all of this....

...Well my take on that is that we can be using the business as a way of helping the kids and their business opportunities...

...So I guess that it opened my eyes a bit more to using a business for every bodies benefit; rather than thinking that it's got follow this line. (1)

And,

We set a goal... this could go back five years ago that we wanted to do a million solids. We have got their now and now we are starting to say; what do we want to do?

... It's quite exciting and you can see that it is achievable (2)

And,

I think that it is has made you [us] make more conscious decisions. You know stop and think rather than just on the spur of the moment. (1)

One participant when stepping back from the business realised the benefits of doing so:

We learnt a lot about vision and purpose and I would put my hand up and say at the beginning I thought it was just airy fairy but after learning why you need it and what it does for your business you can see how important it is. (2)

Learning through others was a large part of the course to the participants. Most participants found that working with others in the course in small groups, helped their learning:

I found it really helpful in the smaller groups... When we split up from the big group... that was good. It was a bit more personal... I think that when you bring it into smaller groups, I think that you can discuss a bit more about your own things and put into practice a bit more. (1)

And,

[In reference to group work] *It was good...We probably got more out of that than the initial [lecture styled learning]...It was more one on one with the tutors, so the ratio was a lot better. (2)*

And,

Yeah you feed off other people. I don't understand the industry but I think that I understand it better now. A lot of it was foreign to me. (5)

And,

There were some young people and there was a real mix of people. So it was quite good...to get different perspectives. (2)

Some participants noticed that they needed key people at the course to make it more effective:

The only regret that we have with it is that [the CEO] didn't go. I think there were a lot of people at the course that were saying that. There were some of their business partners that weren't there. That was the only downside of it really. (2)

Participants that did have key people from their business found this helpful:

The professionals [i.e., accountants] having to be there. That was critical, especially for us. (2)

Table 6-1.

Showing which practices the participants have understood during qualitative interviews

The Seven Practices	Interview One	Interview Two	Interview Three	Interview Four	Interview Five
Practice one: Acting with a purpose in mind- <i>Aligning every governance decision and action with the predetermined purpose of the business</i>	✓	✓	✓	✓	✓
Practice two: Holding effective governance meetings- <i>sustaining a pattern holding effective governance meetings</i>	✓	✓	✓	✓	✓
Practice three: Working with other people- <i>Thoughtful challenging and non-personal debating without group think</i>	✓	✓	✓	✓	✓
Practice four: Making the right decisions – <i>exercising discernment through prudent stewardship; creativity; and, a stable but not static system of policies and parameters</i>	✓	Didn't understand	✓	✓	✓
Practice five:	✓	Didn't understand	Didn't understand	✓	✓

Maintaining a learning orientation- <i>Assimilating new learning into current governance practice, bringing robustness to governance and new life-giving decision making skills to bear on challenges and opportunities</i>	✓					
Practice six: Knowing what is going on and what to do about it- <i>taking reasonability for achieving the predetermined purpose of the business by holding those responsible to account appropriately</i>	✓	Didn't understand	✓	✓	✓	✓
Practice seven: Managing risks effectively- <i>Proactively minimising the likelihood and severity of future events that could negatively affect the business, bringing grounded confidence.</i>	✓		✓			✓

Note. A ✓ indicates that the participant understands the practice.

Negative aspects

The second major theme in learning was the negative aspects. This was further subdivided into confusion in the Practices, structure of learning and the business torque report.

As seen in table 6-1 there was confusion with the seven practices. Some participants were confused with some of the practices:

I got a bit lost with some of them [in reference to the practices]... the knowing what's going on and what to do about it I couldn't grasp it. It's probably part of your risk management isn't it?

...the learning orientation and knowing what is going and what to do about it. I just got a bit lost in it. (2)

And some thought that the practices should be combined:

Making the right decisions and using a learning orientation. I think go together. (1)

Some of the participants found the course to be quite difficult and might not have suited some learning styles:

One respondent said:

On days one and two. They were quite daunting (2)

And,

The first day was a little bit of a nightmare for me. Because it was pretty heavy going and I didn't know what I was getting into. It probably didn't come clear until day three (5).

And,

I think that it went a little too deep for it to be applicable to farmers it needed to be more hands on but more to see how relevant the course was to the business (5).

One participant found it hard to maintain motivation and felt the course was a little fragmented:

I found it hard that it seemed a bit fragmented that it was spread over the year. But I guess that it is designed that way so that you go away and put things into place and you have time to mull over things and go back with the group I suppose. But I just don't think that I was motivated enough to do all of the work in between times (1).

And,

I think that there needs to be a gap of some from to get work done but possible too long? I think that you lost your traction a bit and lost your momentum between times. (1).

The last sub theme in the theme negative aspects is the Business Torque report. This report gives participants an idea where they were on their governance capabilities (the Seven Practices) and where they can improve it is an output of the Business Torque questionnaire. There was confusion with the Torque Report and the questionnaire it was based on:

..trying to flick through and understand what the graph means[in the Business Torque report]... And why is it plotted like that and how do I fit into it and the little spider web thing and what exactly does that mean. By the end of it we were a lot more comfortable with reading it. To get the full benefit from it I think that it needed to be explained quite a bit better right at the beginning. (2)

And,

There was a section there about the financial health how we compared to other people. I suppose it did tell us a little bit. We had poor health and high performance and I just wonder [about] the [other] people that we had gone on the course with...when we did the first one [Business Torque questionnaire and the output of the Business Torque report] we weren't so bad but when we had done the second one [questionnaire and report], we had gone backwards. But our equity at the moment is not far off 50/50 and I was quite shocked to see that. (2)

And,

When we went to fill out the form [torque report questionnaire], I think that we filled it in inaccurately and after a couple of days we understood it better. I think that [the] assessment of where we were on the governance and our governance ability was wrong. So when we got the reports handed out on the first night at [the course] and suggesting some of the areas that we need to work on. Not being cynical but I did not agree on the areas where we need to work on. I think that it's quite good value. I think it would be better to fill in the report in the first two days of the course. So they could talk about some of the issues in each section and then get the participants to go away and fill it in there and then if there are any questions are there always is. Like what do they mean by this. Then we can ask. (4)

And,

[In reference to the Torque Report]

That was a bit mystifying...We filed it and that was it. We didn't really use it. It didn't really tie in that well. (5)

Corporate governance as defined by the Torque Report, questionnaire and Seven Practices did not apply to all organisations. One participant said:

I think that I struggled answering the questions by applying it to our business. There was the odd question where it said did you do something or rather and I thought we don't do that we have a share milker. So you put no...I think that it was managing others; well we don't employ others so it is not relevant to us but in actually fact it is. (4)

Behaviour

The third level in Kirkpatrick's (2006) model is evaluating improvement in work behaviour. Overall, most of the participants in the course noticed a change in their behaviour with respect to most of the practices. Most participants had various ideas about what they thought was a critical practice:

You know what is going and what to do about it. Is pretty big. Um your know stopping and assessing during the year financially what is going on and making early decisions rather than waiting until the end of the year and thinking goodness we didn't do that well. (1)

And,

I have seen over the last year about half a dozen really good meetings. That, to me is key. (2)

And,

[On working with other people]

Yeah, critical. I think historically we have avoided those issues but it has got us to talk about them more. (4)

One participant described a practice as a life focus:

[On the Fifth Practice: a learning orientation]

It is one of my focuses of my life. If I thought that I had ever understood farming and that there was nothing left to learn then I wouldn't be in it. It would be such a bore. (4).

However, some had not put this into action. The reasons behind not putting some of the practices into action varied. Many found that some of the practices did not apply to them as much as it would to a large organisation and did not deem them necessary (Table 6-2 for a summarised overview). This leads to a further subtheme translating to practice.

Translating to Practice

This subtheme identifies the difficulty for the participants to transform the theoretical knowledge into business practice or trying to change behaviour. One participant said:

Everyone was starting from scratch with policies. It would have been have been helpful to have templates. I know that they asked...you to do the work and the research. But even just a few template(s)...would have been helpful. (1)

And,

I think probably having more video clips of how meetings ran. I mean there was a huge scale of governance knowledge in the room there were some people that were on national boards. And then there was us that were trying to spell governance let alone know what it was. To actually have a visual thing of how a board runs or how a meeting runs or something like that might just break it up a little bit rather than just talking. (2)

In another interview, a participant noted that he needed to be at something at a board level to improve corporate governance skill:

I guess what I am a little bit frustrated with is that I am not in on anything at a board level to hone any governance skills [referring to another business as he was a director in his own company]. (1)

One other interview noted the barriers to creating change:

We got a lot of things that we have learnt that we would love to implement but because we are not actually sitting on the board. We are not in a position to say right we are doing this and everyone's got to do it.[this company is in a phase of restructuring the board and shareholders and CEO due to succession planning] (2)

Some had not implemented some of the practices:

We have sort of have policies and procedures around management and day to day farming activities. We have written policies that are perhaps more governance but are perhaps not implemented. (1)

And, in reference to practice two holding effective governance meetings:

Yeah it seems a hard one to put into small business like this. The plan that we were recommended was three or four governance structured meetings a year with you know with key people I suppose but we haven't got it off the ground yet... it seems a bit over the top to be honest to be dragging them every three months for trivial stuff... I don't know it doesn't seem like it really applies to us. (1)

Some thought that it had changed their thinking:

It changed the way we thought about the business completely.(4)

However, while it might have changed their thinking it didn't seem to change the same participant's actions:

It's hard from that to identify anything specific that we have put in place that is specific for our business.(4)

Additionally, one participant felt that governance happens on different levels for different businesses and that this needed to be reflected in the course:

I think that one of things is that the course needs to be on two or three different levels. When the others were talking about boards it was difficult to translate that to our business; when a meeting for us might concern us and the accountant. (4)

When implementing governance one participant struggled with losing independence, control and had problems with slow decision making:

Well the thing that I struggle a bit with the whole governance thing is that you lose your independence. I would like to make [my] own decisions. But then you have to remember that got to be collective decision making and there is a process that you have to follow. (2)

And,

How I have felt is that reporting to the board to do something...waiting for answers and you don't get them so you make your decision anyway...

The problem is when you want them to say yes or no and they don't talk about it. But that doesn't happen often...But for the big scale decision making it is marvellous. It's a trade off. You know. If it was just us running our business [we] would live and die with our own decisions...This is definitely a lot better. So that's the way to go. (2)

One of the practices taught in the course were difficult for some participants to understand on a governance level compared to a management level, and; therefore, it is difficult to evaluate them:

Managing risk effectively; I manage day to day farm risk very well but to move it up to governance level and utilising key people to help manage risk. We don't do so well. (2)

Most of the participants changed some of their behaviour. However, many noticed aspects preventing the implementation of these changes. These were identified under the subtheme translating to practice. Some thought that some of the practices did not apply to them and others said that they had concerns over the loss of control in decision making.

Table 6-2.

Summary of behaviour changes the participants reported on the Seven Practices

The Seven Practices	Interview One	Interview Two	Interview Three	Interview Four	Interview Five
Practice one: Acting with a purpose in mind- <i>Aligning every governance decision and action with the predetermined purpose of the business</i>	They have created a business purpose in the course and this had an influence on one of their decisions so far but they don't make many big decisions in a year.	They have created a vision and purpose. It has been agreed on by all of the directors in the board. They are currently working on a strategic plan. They have started but have a long way to go.	They have implemented this.	They have started this process but it is not formal yet.	They already had a vision and mission statement in place but have also implemented a consensus system rather than voting.
Practice two: Holding effective governance meetings- <i>sustaining a pattern holding effective governance meetings</i>	No change in behaviour. Has one meeting per year, this has not changed. Would like more templates for how to run a meeting. This might be useful in changing behaviour. They think that they don't need a formal board for the decisions they are making or meetings as often as is prescribed in the Mark and Measure course.	Meetings are really important to them and they have seen a change after the course. They are more organised and planned for meetings. They also created an advisory board. Have an independent chair. However, sometimes now decision making is slow.	They have started to have more governance focused meetings twice a year. Have separated management meetings from governance meetings.	They don't think that all of the Mark and Measure prescriptions apply to their entity. They do have meetings but they are less formal and don't have documentation for all meetings.	They hold meetings but have trouble separating governance and management. They hold monthly meetings.
Practice three: Working	They have made some	This has been a difficult	They have been	They said that they	They are still working

with other people- <i>Thoughtful challenging and non-personal debating without group think</i>	changes here and thought the course was helpful in this respect.	practice for them because they have lost some independence with a new governance structure. They also have some internal conflict with differences in ideas. However, they are working on this.	working on this practice but think that they are quite good at this already.	have been working on this through succession planning.	on this as they have a very new company.
Practice four: Making the right decisions – <i>exercising discernment through prudent stewardship; creativity; and, a stable but not static system of policies and parameters</i>	They do this quite well but they thought that this was important before the course.	They did not understand the practice. However, they talked about a focus to create more policies. They don't have full control of the entity and are finding some policies too constricting so they working on those.	They are still working on this	They understand practice well but are working on implementing it in their business. This process is slow because of the small size of their entity.	They are a new company and are still in the process of creating policies but they have started this.
Practice five: Maintaining a learning orientation- <i>Assimilating new learning into current governance practice, bringing robustness to governance and new life-giving decision making skills to bear on challenges and opportunities</i>	They do not this practice so much. They have problems with it and don't necessarily agree with it. Has not created any new policies and procedures.	They did not understand the practice.	They did not understand this practice that well.	They are working on this and think it is a key component in their lives.	They try to seek new information as much as they can.

Practice six: Knowing what is going on and what to do about it- <i>taking reasonability for achieving the predetermined purpose of the business by holding those responsible to account appropriately</i>	There have been some improvements in this area but they are still working on it.	They did not understand the practice	They think that they do this well already. There is little change in their behaviour.	They are starting to move this up to a more formal corporate governance level.	They have improved this but are sorting out roles and what works best for everyone.
Practice seven: Managing risks effectively- <i>Proactively minimising the likelihood and severity of future events that could negativity affect the business, bringing grounded confidence.</i>	They do this well on and day to day farm level but have problems moving it up to governance level. So there is not that big of a change in their behaviour. They already have some of this practice in place in their business and have an advisory board to help them.	They learnt a lot about the theory but the accountant and the CEO are in charge of risk management not the participants. So there is no change in behaviour.	They think that they do this quite well but they have problems with the practice. They think that many of the risks that happen are difficult to identify.	Again they are starting to do this at a more formal level within the constraints of a small business.	They have created health and safety policies and exit strategies.

Note. There is some overlap with various other practices when the participants were explaining their behaviour change.

Impact on Business

The fourth and final stage in the Kirkpatrick's (2006) model is assessing the impact on the business. In the learning subtheme all of the respondents said that corporate governance would increase performance. However, when they were asked if they could see a link in their business between corporate governance many participants could not or did not know of a way to measure this. One participant said:

Probably don't really track it [performance]... If there was something there to help you analyse it [performance]. Well that would be a good thing I guess. (1)

Another respondent said:

Well this is quite new, our board. But over a year I would say yes [increase in performance specifically this case profit]...I think that some of our key decisions are a bit more robust that we are making at the top. There is more for us to go off. (2)

And,

But yeah like I say how do you quantify it [performance and corporate governance]? I mean it's not something that you can put down on paper. (3)

And,

I have no doubt that it would have an impact but I don't know that the impact would be enough to notify it. We haven't noticed a different in the short term. (4)

And,

I think that potentially you have all of the brains on the board focusing on what you are discussing then you are putting energy in there which has to translate into performance. (5)

Although, most of the participants did not notice an impact on business performance; they did give reasons why they thought the corporate governance would improve performance. One participant thought that policies keep their organisation viable and an increased knowledge of the business would mean they could push the business further.

Yeah definitely. [in reference to improving performance]...I guess if you've got policies in place to work within or parameters to keep the business... financially viable and safe and in the good working zone then without that knowledge about how far you can push your boundaries or without outside knowledge you are probably left floundering a bit or sometimes winging it. (1)

Similarly an increased knowledge was attributed to why governance would increase performance:

I think that it's about knowing exactly what is happening in your business. Especially, for us around budgeting and cash flows. Keeping everything in place doing our KPI reports, monthly, and constantly monitoring budgets and cash flows and all of the rest of it. So in that way I think that it improves the business...

...Accountability. The people at the top create the culture and it should flow right down to your business. I have always thought that that is quite important. (2)

Some participants were unsure on how to measure the impact of governance decision making:

... A big one that I struggle with is; I have made a business decision, what has the impact been? How do you analyse when you have made the right decision? How do you know quantify it. What would have happened if you had done this... (1)

And,

I think that this has made a difference. But yeah like I say how do you quantify it? I mean it's not something that you can put down on paper. (3)

Others were not sure of the size of the impact would be bigger enough to measure:

I think that the whole governance structure that if it had been adhered to then I think that it would improve business performance... I have no doubt that it would have an impact but I don't know that the impact would be enough to notify it... We haven't noticed a different in the short term... I think it's more in the general direction of the business in terms of strategy and monitoring whether or not it goes in that direction. (4)

The impact on business as a result of the course was yet to be determine; as many of the participants had not yet noticed an improvement on performance. Although, there were various reasons for this; participants eluded to reasons why they thought that corporate governance would eventually improve performance.

6.4 Chapter Summary

Overall, the participants conceptualised corporate governance in four different ways. In Kirkpatrick's four level model, there was an improvement in reaction, learning and behaviour but not yet the impact on business. There were various reasons for the changes or no changes on four levels of the model, which the participants explained. At this point of the analysis trends are beginning to emerge, namely, consensus over the effectiveness of the Business Torque report (as discussed earlier); an unsurprising confusion among the participants over the conceptualisation of corporate governance (which mirrors the literature); and, the dogged belief that corporate governance enhances performance.

Part Four: Discussion, Conclusion, Limitations

Part 1 The research problem	Chapter 1	Introduction
	Chapter 2	Literature Review

Part 2 Method	Chapter 3	Research Methodology
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Part 3 Results	Chapter 4	Document Analysis
	Chapter 5	Comparative Analysis
	Chapter 6	Qualitative Interviews

Part 4 Discussion, Conclusion, Limitations	Chapter 7	Discussion
	Chapter 8	Conclusions and Limitations

Chapter Seven: Discussion

7.1 Introduction

The Chapter provides a conceptualisation of corporate governance and introduces a Lifecycle Model to the discussion on corporate Governance. The Chapter then presents a discussion of the contents and impacts of the DairyNZ Mark and Measure course. Comments from participants are provided to support the various arguments that support the reduction the Seven Practices to five, as established in the document analysis (Chapter Four).

7.2 Confusion with the Conceptualisation of Corporate Governance

One of the secondary research questions was: how has corporate governance been conceptualised? Unfortunately, the phrase corporate governance has now become so broad that it is little more than a buzzword; that is used to explain systems, relationships, structures and variables around with and around entities. Corporate governance is defined very broadly in the literature (Chapter Two), in the Mark and Measure course, in the Business Torque questionnaire and by participants in the interviews. In addition, neither the definition proposed by the interviewed participants, nor the Mark and Measure course, nor the academic literature aligned. Furthermore, much of the academic literature has not defined corporate governance at all. The lack of a proper definition of corporate governance supports Brickley and Zimmerman's (2010) "myths" of corporate governance, one of which is that there is a general agreement on a definition of corporate governance.

There is a noticeable gap between dominating agency, the definition of corporate governance, and the Mark and Measure course. Agency theory was largely not mentioned by the Mark and Measure course or by the participants in the interviews. In this case, agency problems are not applicable to

the participants interviewed and could be the reason why the agency theory was not mentioned; a finding consistent with research from Clarke and Klettner (2010). This is not to say that this perspective of corporate governance is not applicable to these entities because there is no agency problem (Abor & Adjasi, 2007; Clarke & Klettner, 2010); just that the view is inappropriate.

An appropriate conceptualisation of corporate governance is important when examining firms in the SME, family businesses, and the private sector. If a researcher omits or avoids to properly define corporate governance, like some academic literature and to some extent the Mark and Measure course, it appears to become difficult to determine the underlying assumptions in that piece of research and/or the instruction. This assumption has implications on both the direction and interpretation of research (Brickley & Zimmerman, 2010), and critical outcomes for the training and education of governance in the future.

7.3 A Lifecycle Model of Corporate Governance (LCMCG)

Both the discussion and understanding, in the literature and the Mark and Measure course, of corporate governance produce a rich and, at times, a very confused picture. However, within this picture are two considered and well accepted themes, namely, control and separation. The control function is consistent through the literature and was seen to be understood by the course developers and participants alike. Similarly, where separation has occurred, even in the absence of complete separation, corporate governance is evident and in some of its junctions self-evident. But in the context of SME's and family business, the very domain within which the Mark and Measure courses were pitched convergence (through unification) occurs. Yet, control was implicitly understood by participants. Overlaying, or using control as a central theme, while extrapolating from unification to separation (or more empirically accurate from separation to unification) a lifecycle model (LCMCG) of corporate governance observed to emerge.

LCMCG (Figure 7-1) offers an understanding of corporate governance at different stages in an organisation's lifecycle. The LCMCG may help to conceptualise corporate governance and reduce conflict over which theory should be used to examine corporate governance (Carver, 2007, 2010; Filatotchev & Wright, 2005; Huse et al., 2011; Uhlaner et al., 2007). The foundation of LCMCG is based on underlying notions of control in the corporate governance literature (Cadbury, 1992; Heery & Noon, 2008; Institute of Directors, 2012; Knell, 2006; OECD, 2005). Full and partial control (Chapter Two) of the entity is usually exercised by the owners, board, directors and executives, but it is not limited to them nor does it occur in only one place because it has been prescribed to be there. The control function needs to be clearly determined in order to understand how decisions are made. For example, frequently theoretical and legal prescriptions of control are applied to the board (Gregory, 2002a, 2002b) but in practice this not always the case (Mizruchi, 1983; Westphal & Zajac, 1995; Zhang, 2013) and was observed by those respondents who exercised control in the absence of having 'real' boards.

The LCMCG takes the major theories of corporate governance and uses the organisational lifecycle to explain their applicability. Filatotchev and Wright (2005) put forward a debate that the lifecycle stages of an entity may need different forms of corporate governance. This view is especially relevant to the Mark and Measure course. They view corporate governance as a dynamic system that may evolve over these different stages and that there are dramatic shifts in ownership structure, board composition, and founder involvement among other variables.

Rather than arguing either for or against agency theory/stewardship theory; the LCMCG makes sense of which theory may be applicable to the entity by analysing the context and the lifecycle stage of the entity. For example, Abor and Adjasi (2007) and Clarke and Klettner (2010) both suggest that agency is unlikely in entities where there is little separation. In cases of unification, perhaps, resource dependency or stewardship theory would be more applicable. This view would have to be

tested but could help enhance the understanding of corporate governance of what corporate governance really is in the future.

In Figure 7-1 there is an overlap between each of the theories in the model because depending on the context, situation, control, a case of one, unification, or separation a different theory would apply. Defining where a case of one and unification changes to separation is complex and will probably vary depending on the entity, context and the definition of corporate governance in use in that instance. At this stage, there is no clear definition of unification as there is very little literature about this topic. This is a suggested area for further research.

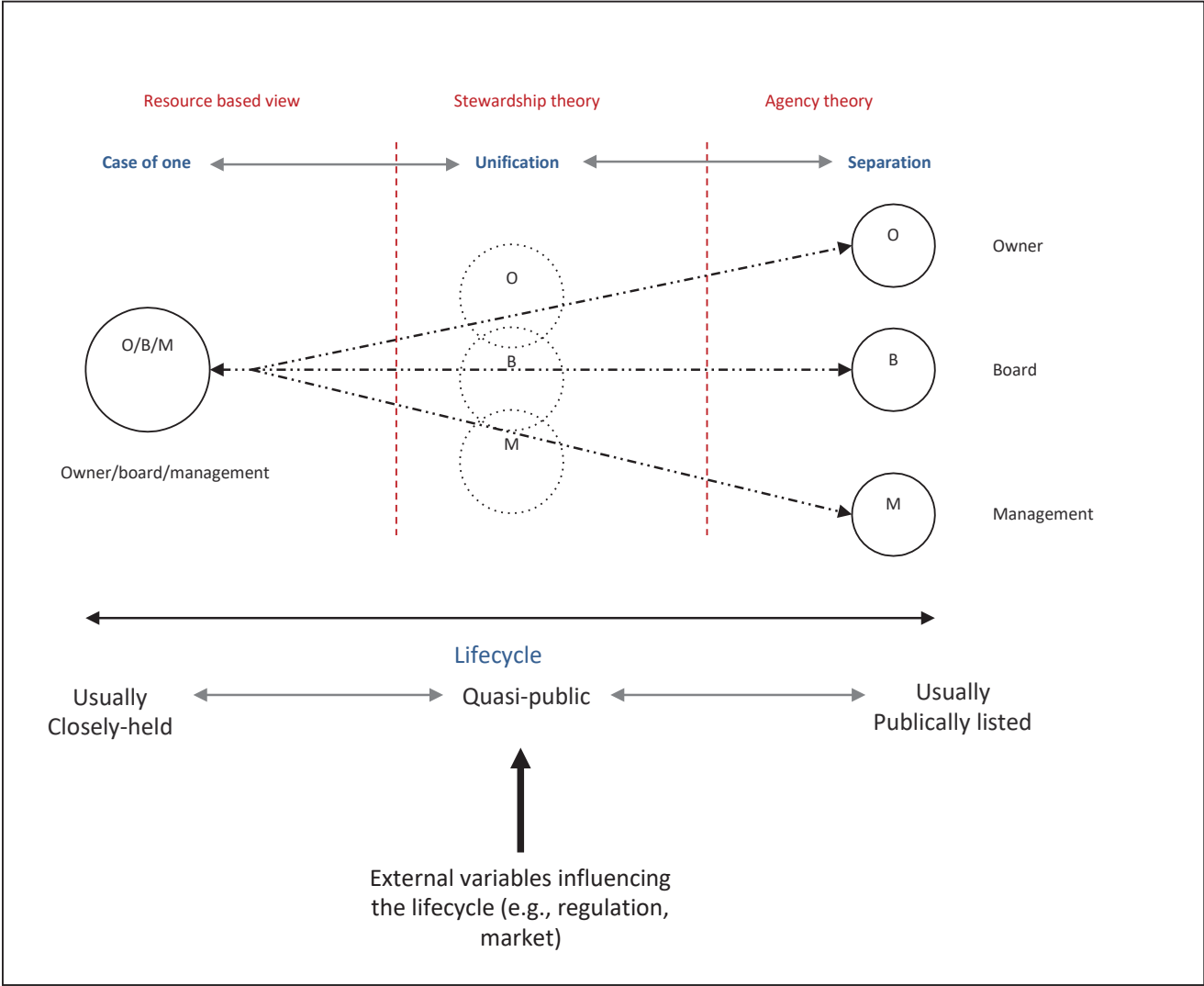


Figure 7-1. Hypothesised corporate governance theories located in the lifecycle of the firm⁷.

⁷The red lines signify the hypothesised potential theories that 'fit' into the lifecycle. The red lines are blurred to indicate an overlap in the concepts. Depending on the organisation and the context will depend on what which theoretical position will fit an organisation. Companies can start at any stage of the life cycle, depending on the circumstances but usually start with a case of one and as they get larger move to unification as the start to separate; moving towards full separation. External variables also impact the lifecycle and corporate governance.

7.4 The Mark and Measure Course and Corporate Governance

The third research question was: What is the relationship between corporate governance training programme and corporate governance? The Mark and Measure course took a wide range of variables to examine corporate governance (Chapter Four). Depending on the definition that is employed, it can be debated whether much of what was provided was in fact corporate governance. The Mark and Measure course offered a specific definition of corporate governance (Chapter Four) that emphasised the direction and control function but it did not address context. However, in the document analysis (Chapter Four) there are various elements in the Mark and Measure course which were found to be beyond what could be expected to be or was defined to be corporate governance, for example, Practice Three: working with others, and Practice Five: a learning orientation.

Practice Three titled working with other people does not take into account a case of one. Therefore, in a New Zealand context, this practice cannot be applied universally to all companies, which was one of the goals of the Seven Practices. Practice Three also prescribes consensus instead of voting. The legal framework gives directors and/or shareholders voting rights in transactions involving conflict of interest and director appointment. Although, consensus maybe effective it is also a time consuming process and will only work if everyone agrees to it (Jones, 1994). The point here is that from a legal perspective, decision making by both the directors and shareholders is prescribed by voting. Lastly, the practice also indentifies one decision making fallacy – groupthink – without the acknowledgement of the many other cognitive biases, which can impact decision making. The course also ascribes groupthink to mean all of the problems with decision making; clearly this is incorrect (as reported in Chapter Four).

With regards to Practice Five, there was very little academic literature on the concept of a learning orientation as defined by the Mark and Measure course. There is some literature on board training but this is not a main component of Practice Five. Rather, the fifth practice is more about self-development at an individual level and has little direct relationship with corporate governance.

Participants also found this practice difficult to grasp. Three of the five interviewed cases said that they either did not understand the practice or that it did not apply to them.

Additionally, some of the practices were applied by some participants and not by others, suggesting that the practices are actually contextual and vary depending on the business such as Practice Two: effective board meetings. Board meetings are thought to be a key mechanism for directors to be informed (Tuggle, Schnatterly, et al., 2010). In cases where there is unification, directors are informed because they are also involved in managing the entity and perhaps the emphasis on meeting frequency is less important. Some of the smaller businesses had difficulties with the prescribed number of times that they had to meet a year. One small business felt that due to the size of the entity, informal meetings were more practical for them. They also thought that having informal meetings was one of the advantages of having a small business even though it was difficult to get anything formally written down in informal meetings.

Another participant thought that this was 'a waste of time' for the professionals that would need to be there for frequently prescribed meetings. This idea does not align with the academic literature which is more interested in the ideal number of board meetings entities should have a year (Adams & Ferreira, 2008, 2012; Brick & Chidambaran, 2010; Chou et al., 2013; Greco, 2011; Jiraporn et al., 2009; Oliver, 2004; Orlikoff & Totten, 2001; Schwartz-Ziv & Weisbach, 2013; Vafeas, 1999).

The Mark and Measure course also confuses the role of advisory boards and boards (noted in Chapter Four). This confusion was reflected in the participants' responses. One participant said that they did not want a formal board because they felt it was not necessary and they would rather have an advisory group. However, an advisory group still needs a board of directors to make the ultimate decision⁸; otherwise the advisory board would be deemed as directors and would have the legal responsibilities as those of the board.

⁸ Except if the entity is owned by a sole trader.

Many of the participants that were interviewed had problems creating and understanding policy. Some participants found this to be a slow process because of their size. There are no studies in mainstream business literature on family businesses or small to medium sized entities and the difficulties they have with regards to starting a corporate governance process or developing policies. Researchers studying small Australian boards suggested that more effective boards operated at a policy level rather than at a management level (Thomas, Coleman & Howieson, 2009).

Risk management was also difficult for one participant to grasp. This could probably be attributed to the case-of-one nature of his own entity. This business was unified and this participant was the owner/board/manager of the business. The participant appeared to know what was going on in the business, what risks were and how they ought to be mitigated. There were no problems with information asymmetry (Siebels & Knyphausen-Aufseß, 2012), but he had problems moving risk from a supposed management level to a corporate governance level. The Mark and Measure course does not define corporate governance as risk management. So, it is understandable that participants did not know how to move risk management to corporate governance because it remained largely incomprehensible to them.

Overall, it is very difficult to compare the corporate governance course to concepts of corporate governance in the literature or the participants' definitions of corporate governance because the Mark and Measure course does not offer such an academically and unanimously agreed upon definition. This appears partly due to the need to enter a context in which the applicability of corporate governance is very seldom explored. There is a large overlap between corporate governance and management causing some participants to feel confused. Additionally, there are many aspects in the Seven Practices, which make up the Mark and Measure course and are not supported in the literature, whose applicability to the participants' businesses was disputed by the participants.

7.5 Reducing the Seven Practices to Five

Based on the aforementioned findings, the Mark and Measure Seven Practices ought to be reduced to Five Practices by omitting Practice Three and Five. When the Seven Practices are reduced to five they were very similar to the Hilmer and Tricker (1990) Model of Effective Boards (Figure 7-2). The Hilmer and Tricker framework is a widely accepted corporate governance model and appears to be adopted by boards in the Australia/New Zealand context (Hilmer, 1994). However, this model was originally designed for large businesses, specifically publicly listed companies. It could be used instead of the New Zealand Institute of Directors framework in the Mark and Measure course to benefit all involved.

Although the model is used mostly in publicly listed companies, recent research has been conducted using Hilmer and Tricker framework in the small to medium size business and family business field (see Thomas et al., 2009). As was the case with Thomas et al. (2009), appointing and rewarding the chief executive box was removed. This was done as SME's often have a case of one or unification. Therefore, a director appointing and rewarding the CEO when they are same person is not applicable. Additionally, these tasks can be a part of strategic thinking and corporate policy.

Figure 7-3 shows the Seven Practices, reduced to five, in relation to the Hilmer and Tricker model of corporate governance. There is an overlap between each of the practices. Practice Two: having effective meetings, is the connection that each one of the practices needs in order to occur.

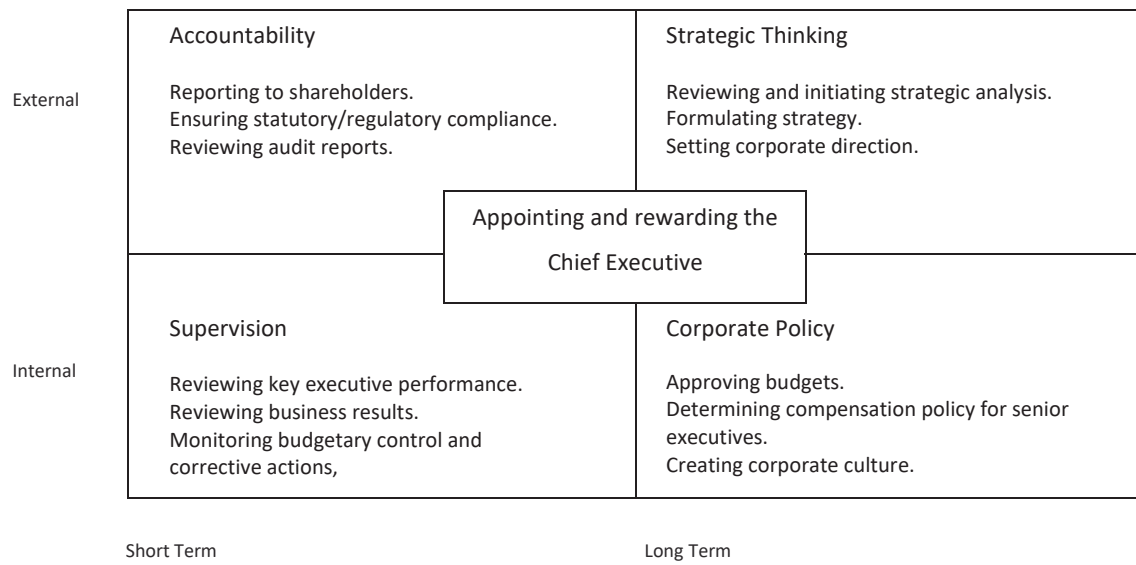


Figure 7-2. The Hilmer and Tricker Model of effective boards. Adapted from Hilmer (1994); Hilmer and Tricker (1990).

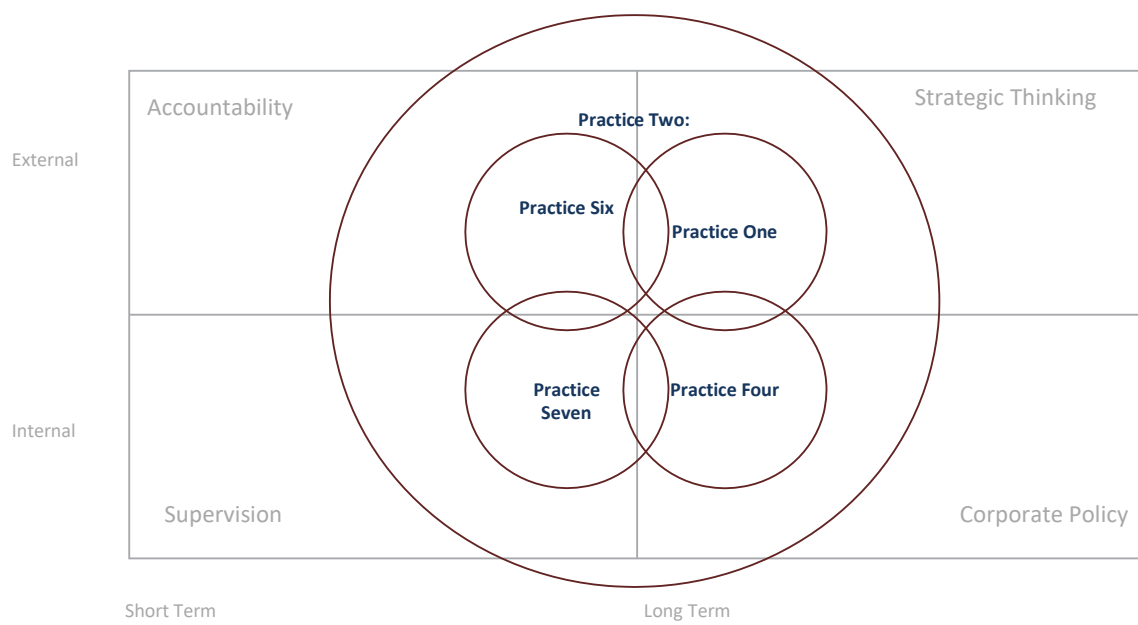


Figure 7-3. An overlay of the reduced Five practice and how they fit with the effective board governance model. Adapted from Hilmer (1994); Hilmer and Tricker (1990).

7.6 The Business Torque Questionnaire

The Business Torque Questionnaire was examined twice during the conduct of the research. The first time was through the review process in the first part of the case study. The second time was during the qualitative interviews with the eleven participants selected as being representative of the broader course population.

The Business Torque Questionnaire was found to be poorly developed (see results in Part One). Item construction did not follow the basic recommendations of questionnaire developers (Kline, 2005). The scales for the Seven Practices were somewhat ad hoc and Practices Three and Five were found to have, at best, only limited support in the literature.

Some course participants struggled with the interpretation of their own Business Torque Reports, to the extent that they refuted the findings. One respondent went as far as saying that: *“we filled it in inaccurately”* and *“so when we got the reports handed out on the first night [at the course] suggesting some of the areas that we need to work on. Not being cynical but I did not agree on the areas where we need to work on.”*

Another said that it was confusing: *“I think that I struggled answering the questions by applying it to our business. There was the odd question where it said, ‘did you do something or rather’ and I thought we don’t do that we have a share milker. So you put no...I think that it was managing others, well we don’t employ others so it is not relevant to us but in actually fact it is.”*

The conceptualisation of corporate governance needs to be clearer in the Mark and Measure course. With a clearer concept and Five Practices aligned with the Hilmer and Tricker (1990) model a new questionnaire could be created. A questionnaire with less items using the Five Practices and the Hilmer and Tricker (1990) model has been developed. The proposed new questionnaire (Appendix Nine) has been piloted on thirteen participants including four participants that displayed unification

five subject matter experts, and four participants with varying degrees of separation and unification. The pilot questionnaire is now ready for a full validation with a broader population.

7.7 Kirkpatrick's Four Level Model and the Mark and Measure Course

The fourth, fifth and sixth secondary research questions were based on the evaluation of the Mark and Measure course;

- Does the corporate governance training programme have an impact on the trainee's learning?
- Does the corporate governance training programme have an impact on the trainee's behaviour?
- Does the corporate governance training programme have an impact on the trainee's business?

To evaluate the Mark and Measure corporate governance training programme Kirkpatrick's (2006) Four Level Evaluation Model was used. Table 3-2 outlines the methods used to examine each level.

7.7.1 Level One: Reaction

The first level in the Four Level Model is reaction. This assesses participants' satisfaction with the course. There was a general consensus that the course was beneficial; *"It was well worth the money spent... I think that it is the sort of course that you could actually do twice and you would still take something away the second time"*. The developers of the course have produced a course of value to the participants. Producing the course could have been difficult as there is a considerable gap in the literature regarding corporate governance and its relationship to SME's, family business, and private entities; which, made up the all of the business on the course. There were a number of issues with the course content; in particular, the mixing of content between corporate governance and

management literatures. Many of the participants did not have business or management practices in their business, like measuring performance.

Even though there was a general consensus that the course was of value, caution has to be taken in accepting this result as some people could be attributing this to post-purchase rationalisation (Cohen & Goldberg, 1970). Post-purchase is a cognitive bias where a person that buys an expensive product or service overlooks faults and defects in order to justify their purchase. Also, only a selected nine out of the fifty-three individual participants were interviewed.

7.7.2 Level Two: Learning

The second level was evaluating improvements in learning. This level is argued to be highly correlated to the first level; reaction (Alliger & Janak, 1989). Learning was assessed using the quantitative data and the Business Torque questionnaire. The participants improved after the course on all of the Seven Practices. Extreme caution needs, however, to be placed on this result as there are a number of methodological issues that will be addressed in the limitations section.

To address these methodological issues, qualitative interviews were used as a form of triangulation. In the qualitative interviews, there were two ways that learning was assessed. The first way was by asking participants to define corporate governance. Answers varied but generally fit into four common themes: corporate governance as a high level examination of the entity, a structure, setting a direction, and a different concept from management. All of these themes are supported to some degree by the academic literature (Chapter Two). It could be argued, however, that this interpretation of corporate governance is so broad that many concepts could fit into it.

The participants were also asked about the Seven Practices to assess their learning. According to their responses, many of the participants applied the Seven Practices to their own businesses. Most of the participants understood the Seven Practices (Table 6-1 and 6-2) with the exception of some

participants who did not understand the fourth, fifth, and sixth practices. Two participants struggled with Practice Five; both were confused about what the practice actually entailed.

There could be several reasons behind the participants' failure to understand some of the practices. Perhaps the differences in understanding could be due to the passage of time between the course and the interview. There is a vast literature around forgetting (Ricoeur, 2004) with regards to learning. One reason why the respondents failed to understand some of the practices is that trying to remember information can increase forgetting (Anderson, Bjork & Bjork, 1994). Another reason offered by Golding and MacLeod (2013) is that these practices were not applicable to the organisation and therefore disregarded; known as 'directed forgetting' (Golding & MacLeod, 2013). This outcome is of importance as it suggests that some of what was introduced was either not necessary (inapplicable) or had been forgotten, in which case it is unlikely to be applied.

Overall, in the second level of Kirkpatrick's (2006) model there seems to be an increase in learning after the course was concluded.

7.7.3 Level Three: Behaviour

The third level in Kirkpatrick's (2006) model is evaluating improvement in work behaviour. This was assessed during the qualitative interviews. Overall, most of the participants in the course noticed a change in behaviour with respect to the adoption of most of the practices. However, some had not put all practices into action. The reasons behind not putting some of the practices into action varied. Many found that some of the practices did not apply to them as much as it would to a large organisation and did not deem them necessary (Table 6-1 and 6-2). One participant did not have the power or control to implement some of practices they had learnt. Some had already done parts of the practice and others said that they had started but were still working on their implementation.

The first reason why participants did not implement change was that some of the participants thought that there were different levels of corporate governance and that some of the practices as prescribed by the Mark and Measure course did not actually fit their businesses. Most of the cases

where the participants did not think the Seven Practices applied to them were entities with unification and little separation. All of the participants that were interviewed had some separation in their entities and were not true cases of unification. However, the smaller cases generally thought that formal board meetings as prescribed by the Mark and Measure course were not applicable. Generally, they were asked to have 3-4 meetings a year, but due to the routine nature of decision making in their entity, they did not need to have this many meetings a year.

Secondly, those participants in the interviews reported some practical implementation problems. The literature supports this by saying there are two main problems to prevent change in a trainee's behaviour. The first is that trainees cannot always use their new knowledge and skills (Kirkpatrick & Kirkpatrick, 2005). Secondly, the work environment can inhibit the application of a new behaviour. For example, there was a case in this study where the first generation was retiring and the second generation was emerging in a management role. There were two second generation siblings that were both equal shareholders and managers (in different parts of New Zealand). However, neither of the siblings was officially a director in the entity. One of the siblings reported that: *"we got a lot of things that we have learnt [on the Mark and Measure course] that we would love to implement but because we are not actually sitting on the board, we are not in a position to say right we are doing this and everyone's got to do it"*. Therefore, an opportunity exists to better target or screen those participants actually attending from each business, so the participants at the course are ones in a position to create change.

In most of the corporate governance literature, there is the idea of making decisions that serve the shareholders' interest. In the case discussed above, there were four equal shareholders. However, the control lies with the board and specifically with the first generation members of the board even though they have independent directors. This is further complicated by the process of retirement of the first generation members and the shifts in power this retirement process creates. At the time of the interview, the interests of the other shareholders – not those interviewed – were being met

because of the growth opportunities their entity has engendered. This caused tension among those interviewed who say that they have lost their independence and control when it comes to decision making; because the board is making decisions on their behalf (despite being owners).

The next gap in behaviour was where some of the participants had already done parts of the practices. For example, Practice One required a vision, a mission, and planning. In the fifth interview of the qualitative interviews, the participants said they had already done this task and some of the risk management task for Practice Six. However, others were very new to this process and had more changes to make. Lastly, there were some participants who did not change their behaviour in some of the practices; often in these cases the participants did not appear to understand the practice involved.

In summary, the third level is about evaluating working behaviour. There were some changes in the behaviour of most of the participants, with respect to most of the practices. But there were a number of barriers and complications to these changes that were identified during the interviews. These barriers are not insurmountable and can be rectified with improvements to selection, design and delivery.

7.7.4 Level Four: Impact

The fourth and final level in the Kirkpatrick's (2006) model is assessing the training impact on the business. Overall, all participants said that the Mark and Measure course had a positive impact on their businesses. Additionally, they all said that it would improve the overall performance of their entities. Many of the participants, however, failed to measure their entity's performances. The ones that did measure company performance thought that it would be too early to see a change, that it would not be quantifiable, or that the effects of the course would be difficult to see on measures of performance.

The area where participants said that the course had an impact on the business was generally the process of decision making, goal setting, policy creation, documenting the previous generations' knowledge, or the possibilities of future directions in the company. One participant also said that they were on the right track before and the course helped "speed them up" in that direction; which suggests that value was created regardless of whether the course content was well aligned with what constitutes corporate governance.

The second outcome is that all of the participants thought that corporate governance would improve performance. This perception of corporate governance was evident despite neither measuring performance themselves nor being able to see improvements in performance in their own businesses. This research has a mixed view on corporate governance and performance mostly due to the variables used to measure this relationship (Nicholson & Kiel, 2007). Some researchers suggest a positive correlation with performance, showing a stronger relationship with market-based measures of performance and a weaker relationship with operating performance (Love, 2011). However, others show that improving corporate governance does not increase performance (Daily et al., 2003; Dalton et al., 1998; Dalton et al., 1999), particularly in terms of profit. The factors in these studies are usually limited to board size, independent directors, and meeting frequency to name a few. Many studies neglect to look at the cost of corporate governance with research suggesting that corporate governance can incur significant costs (Durden & Pech, 2006). Many of these studies, however, look at legal compliance in a US context, which is more regulated than of New Zealand counterpart.

None of the participants interviewed could actually see a link between corporate governance and performance. In two interviews, participants said that the board and entity were too young to see noticeable change. One participant had not seen any change in the short term. Lastly, two participants said it would be too difficult to quantify. These views are very similar to that reported in the literature on corporate governance and performance. Many methodical issues are encountered

when trying to determine any relationship; let alone the direction of the relationship between corporate governance and performance. It is simply not known if corporate governance increases performance or if performance increases corporate governance (Love, 2011).

7.8 Independent Boards and the Creation of Agency

In one interview, the participants described in depth the conflict in their business. This company is a second generation farming business with retiring first generation members. In the second generation, there are two siblings who both have different farms in different parts of New Zealand. Based on professional recommendations, they have embraced corporate governance recommendations for an independent board that has control (mostly) over decision making. The first generation members are on the board but are retiring and the second generation are owners/managers with equal shareholdings but not board appointments. There has been a focus on growth at one of the farms. Decision making by the board has been in favour of one of the shareholders, where growth is occurring, but slow and problematic for the other. This has created an agency problem for the second shareholder; these problems have arisen despite having followed the Seven Practices suggested by the Mark and Measure course. This outcome supports the emerging view of the importance of behavioural attributes of boards.

7.9 Summary

This chapter has demonstrated that there is considerable confusion over the meaning of corporate governance. Not defining corporate governance is common and is problematic and that while defined in discussion considerable more time and resource could have been applied to the development of a common understanding among course participants. A Lifecycle Model of Corporate Governance was presented to integrate the different theoretical perspectives of

corporate governance throughout an entity's lifecycle. The results of pertaining to the evaluation of the Mark and Measure course were restated and discussed. Next, the problems with the Business Torque questionnaire were examined. Lastly, there was the discussion of one particular interview in the study and the creation of agency theory.

Having discussed the research problem (Part 1), the method (Part 2), the results (Part 3) and the discussion (the first section of Part 4), the final part of this thesis, the second section of Part 4, concludes the study by addressing the implications and contribution of the findings, suggesting directions for future research and identifying the limitations of the study.

Chapter Eight: Conclusion

8.1 Contributions to Knowledge

The purpose of this research was to examine the current conceptualisation of corporate governance and to evaluate a corporate governance training course. The research questions were:

- What is the impact of the DairyNZ Mark and Measure Farm Business Governance Programme on participants?

In order to answer this question, the following questions are also examined.

- How has corporate governance been conceptualised?
- How has corporate governance been measured?
- What is the relationship between corporate governance training program and corporate governance?
- How has corporate governance been measured?
- Does the corporate governance training programme have an impact on the trainee's learning?
- Does the corporate governance training programme have an impact on the trainee's behaviour?
- Does the corporate governance training programme have an impact on the trainee's business?

Corporate governance was found to be conceptualised in many different ways and different theories appear to have confused both practitioners and academics. Sometime, academic articles do not define concepts of corporate governance to the extent that authors appear to actively avoid its definition. The conceptualisation of corporate governance in the Mark and Measure course was

inconsistent and could have contributed to the confusion identified among some of the participants. However, conceptualisations of corporate governance are needed. A unified definition would be useful for further research and the effective delivery of subsequent corporate governance training, education and interventions.

Corporate governance can be defined in terms of control and a useful definition of control in terms of internal corporate governance has been offered in this research. Taking this definition of corporate governance to research corporate governance in small to medium sized and family entities where some degree of unification exists appears to have merit. The LCMCG presenting corporate governance in terms of either resource dependency theory, stewardship theory, agency theory or the depending on the various stages of the entity's lifecycle was offered as a means to enhance understanding. However, both the model and its application in a learning environment would need to be tested.

Additionally, research in the small to medium sized and family businesses in relation to corporate governance is limited when contrasted to that of publicly listed corporations. One issue that needs to be further researched is if corporate governance applies to the case of one and where unification exists. If not, then how much separation between the owners and directors of an entity is needed before corporate governance becomes important or required.

In examining the second research question: how has corporate governance been taught? The Mark and Measure course was examined including the conceptualisation of corporate governance: how they measured corporate governance was measured, and the framework used to develop the Business Torque Questionnaire.

The findings suggest that more work is needed for the conceptualisation of corporate governance in the course material. Credit has to be given to the course developers as there is little research or frameworks available in the small to medium sized and farming business in the New Zealand

context. There were, however, problems in Practice Three and Five as well as in their conceptualisation of groupthink. Clearly, there is a dilemma here. On the one hand there is a need for better conceptualisation on the other there is the obvious confusion over what corporate governance is; more so when unification emerges.

In evaluating the Seven Practices, five practices based on the outcomes of the results emerged. Redundancy and a lack of relevance were encountered. A questionnaire to replace the Business Torque questionnaire was produced. The questionnaire was based on the Hilmer and Tricker (1990) Model of Effective Boards as it was similar to the reduced Five Practices. The new questionnaire was piloted on thirteen participants; who were either subject matter experts in the field or were directors in entities with varying degrees of unification and separation. More validation is required before its use.

The third and final research question examined the impact of the corporate governance course on trainees. This was done through Kirkpatrick's (2006) four level model of training evaluation. A mixed methods approach was used to measure the impact. In Stage One, reaction was measured during the qualitative interviews. The general consensus from the participants was that the course was good and created value. The second stage of the model was learning. This was measured with the Business Torques Questionnaire and again in the qualitative interviews. Participants improved in all of the Seven Practices based on the questionnaire. In the qualitative component, the participants generally understood most of the Seven Practices. However, there were around three months between the conclusion of course and the interviews and some of the participants could have forgotten specific content. The third stage measured behaviour. There was some reported change in behaviour in the practices that the participants understood and thought applied to them. In the fourth stage, which discussed the impact on the business, all of the participants thought corporate governance would improve performance but most had not seen a change in their businesses at the time of conducting the interviews. The participants interviewed had accepted that change would

occur and that performance would improve, this is another new observation for research. Lastly, caution needs to be displayed when advising best practice codes such as independent boards to entities with unification, as there is the possibility to create agency.

8.2 Limitations

There were several limitations around the research. The first was the predetermined nature of the Business Torque questionnaire and the participants that were chosen to be interviewed. Getting access to corporate governance and in particular boards can be difficult (Leblanc & Schwartz, 2007). As such there remained an opportunistic element to the research, upon which an effective review, analysis, synthesis, and development process was superimposed. This approach recognises that access is arguable the single greatest impediment to effective corporate governance research. That access ultimately influenced research methods and needs to be considered as a constraint. The Business Torque questionnaire was the single greatest limitation encountered. Further discussion about the limitations of the Business Torque questionnaire can be found in Chapter Four of the results.

The results from the Business Torque questionnaire had low power due to the low (a small Cohen's d) number of participants in the study; even though, almost the entire population was examined.

Caution needs to be taken when evaluating the quantitative results, as they cannot be generalised.

Additionally, due to embedded resource constraints, only nine participants were interviewed. By only taking a subset of the participants in the course, the views of the five participants cannot be generalised to the other participants. Due to budgetary and time constraints, it was not possible to interview all of the participants in the course, as desirable as this approach may have been.

Additionally, qualitative interviews were self-reports. This can be problematic for studying behaviour and impact stages in the Kirkpatrick's model because participants could be giving socially desirable

responses. It is difficult, however, to measure change in behaviour as Kirkpatrick does not outline a proper method for examining the climate of an organisation. So, one cannot comprehensively assess the change in trainees work behaviours or the variables outside the training programme that can impact the effectiveness of training programmes.

8.3 Where to for Mark and Measure

The recommendations suggested for the Mark and Measure course can be implemented in four stages. The first is to conceptualise corporate governance specifically for this population. The next stage is to make sure that the material aligns. Next that there is less content and the key concepts are the focus of the course. Lastly, participants learnt off others and perhaps more time for this would be beneficial.

The Mark and Measure course needs to conceptualise corporate governance for the population that it is designed to target. The population studied had different requirements from the general ideas of corporate governance in the academic and practitioner literatures. There is a need to understand the particular business and management skills the population actually needs. As a requirement in order to do this course might mean that some entities need to develop thier understanding of management and business before they move to corporate governance.

Next, the Mark and Measure course needs to be more consistent across all of the course material. Varying concepts run through the PowerPoint presentations, the Mark and Measure course folder, readings, the Business Torque questionnaire, and Business Torque Report. Making these consistent will help mitigate the confusion of the participants, and their confusion with attempting to link theory to practice.

Additionally, Mark and Measure could reduce the complexity of the course material for participants. Corporate governance is a complex topic, and many of the participants were encountering the topic for the first time. There was a large amount of material for participants to learn over a short period of time. More structure and focusing on what corporate governance is and the expected learning outcome(s) would perhaps be beneficial to participants. Additionally, even though the course was divided into different levels depending on size and corporate governance capability was already in place. There needs to be additional levels in the course as some participants thought that they needed a simplified understanding of corporate governance, although this is probably a better understanding of management and business practices.

Lastly, participants learnt off others participants. Several participants commented that this was very beneficial to them and this would be helpful to actively encourage this. Additionally, breaking up lecture styled learning would be advantageous, perhaps in the form of more group work is to be encouraged. Also, more feedback from the teachers around policy would be beneficial.

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Appendix One: tables of 'good' corporate governance practices

Common prescriptions of corporate governance									
	Directors duties	Information	Chairman role and CEO Role	Committees	Audit	Independence and composition	Communication of information	Performance	Behaviour
Lipman (2007)	X Willing and able	X Acquiring information and access to qualified, independent sources apart from management	X* Separate	X must be able and willing to perform duties,	X must have external auditor	X Majority independent directors, 4-7 members	X* Effective shareholder at meetings	X Monitoring management and organisations	X Challenged consensus not conflict
Bruce (2012)	X Quality boards	X Review all information					X Available publically to stakeholders		
Brozovich and Totten (2012)									

Common prescriptions of corporate governance

	Due diligence	Risk analysis	Succession planning	Strategic planning	Involvement in decision making	Develop governance policy	Meetings	Training/learning	Accountability	Culture
Lipman (2007)	X Record the consideration of important matters	X	X Board member	X Making sure it exists and it is being implemented by management	X*	X compliance, ethics, whistleblower, emergency, media				
Bruce (2012)				X Balance of monitoring and involvement			X Effective agendas	X For board member	X Declare and manage conflicts within company policy	
Brozovich and Totten (2012)					X Mission based decisions					
Zimmermann and Stevens (2008)			X CEO and board	X Adequate resources, org planning	X Determine, monitor and strengthen mission and programmes				X	

Finkelstein (2003)					X Work out an appropriate level	X Comprehensive involvement			X Effective and improving process				
Orlikoff and Totten (2003)			X A process for risk management					X Board policy manual	X Learning organisation. Board self evaluation and peer assessment	X	X Have a healthy board culture		
Securities commission (2004)												X ECO	

Note: x indicates that the practice exists in that text and * indicates that exceptions exist.

Appendix Two:-Low risk notification quantitative data



MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA

15 April 2013

Ms Michelle Hunt
4/65 Linton Street,
West End
PALMERSTON NORTH

Dear Michelle

Re: Governing the Economic Institutions of Capitalism: New Zealand Dairy

Thank you for your Low Risk Notification which was received on 18 March 2013.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Committees.

The low risk notification for this project is valid for a maximum of three years.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by one of the University's Human Ethics Committees.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:

"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research."

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director (Research Ethics), telephone 06 350 5249, e-mail humanethics@massey.ac.nz."

Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

A handwritten signature in black ink that reads "J. O'Neill".

John G O'Neill (Professor)
**Chair, Human Ethics Chairs' Committee and
Director (Research Ethics)**

cc James Lockhart
College of Business, Management
PN 214

Prof Sarah Leberman, HoS
College of Business, Management
PN 214

Massey University Human Ethics Committee
Accredited by the Health Research Council

Research Ethics Office

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E humanethics@massey.ac.nz animaethics@massey.ac.nz gtc@massey.ac.nz www.massey.ac.nz



MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA

FILE

2 April 2014

Michelle Hunt
302A Botanical Road
West End
PALMERSTON NORTH 4412

Dear Michelle

Re: Understanding the Practice of Governance

Thank you for your Low Risk Notification which was received on 13 March 2014.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Committees.

- You are reminded that staff researchers and supervisors are fully responsible for ensuring that the information in the low risk notification has met the requirements and guidelines for submission of a low risk notification.

The low risk notification for this project is valid for a maximum of three years.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by one of the University's Human Ethics Committees.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:

"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research."

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director (Research Ethics), telephone 06 350 5249, e-mail humanethics@massey.ac.nz."

- Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

John G O'Neill (Professor)
Chair, Human Ethics Chairs' Committee and
Director (Research Ethics)

cc Dr James Lockhart
School of Management
PN214

Prof Sarah Leberman, HoS
School of Management
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Appendix Three: information sheet for qualitative interviews



SCHOOL OF MANAGEMENT

Private Bag 11 222

Palmerston North

New Zealand

Telephone: 64 6 356 9099

<http://management.massey.ac.nz>

Information sheet

Project Title

Understanding the practice of governance

Invitation

You are being asked to take part in a research study examining corporate governance in New Zealand. The research aims to understand how governance applies to private business, and evaluate

the practices of governance and the impact of governance training programmes on the governance in organisations. The researcher in this study is Michelle Hunt. First supervisor is Dr James C. Lockhart and second supervisor is Dr Liz Dooley. The Massey Research Ethics Committee has approved this project.

What will happen

In this study, you will be asked to answer a series of short open-ended questions (See below for questions). This is a follow up study from the collective data acquired from previously filled in questionnaires. Because the previous data is confidential I have no means of knowing which are your responses, and you can be assured that you were not selected on that basis. What we have done is identify four broad sets of circumstances confronting farmers in the NZ dairy industry and selected a farmer from each of these - taking what could be considered to be an outside-in approach. The circumstances we considered in making the selection were succession, third party capital, transition across generations (outside succession) and scale.

Time commitment

This questionnaire will take approximately 30 minutes to an hour to complete.

Participant's rights

You may decide to stop being part of the research study at any time without explanation.

You have the right to ask that any data you have supplied to that point be withdrawn/destroyed.

You have the right to omit or refuse to answer or respond to any question that is asked of you.

You have the right to have your questions about the procedures answered (unless answering these questions would interfere with the study's outcome).

You have the right to provide information in the understanding that your name will not be used unless you give permission to the researcher.

You have the right to be given access to a summary of the project findings when it is concluded.

You have the right to ask for the recorder to be turned off at any time during the interview.

If you have any questions as a result of reading this information sheet, you should ask the researcher before the study begins.

Benefits and risks

There are no known benefits or risks for you in this study.

Confidentiality/ Anonymity

Your participation in this study is voluntary. No one will link the data you provide to the identifying information you supply (e.g., name, address, email).

Further information

Dr James Lockhart and Michelle Hunt are willing to answer your questions about this study. You may contact them at j.c.lockhart@massey.ac.nz or +64 (06) 356 9099 ext. 81065 and michellehunt1@gmail.com.

Ethics

This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director, Research Ethics, telephone 06 350 5249, email humanethics@massey.ac.nz.

Understanding the practice of governance

PARTICIPANT CONSENT FORM

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree/do not agree to the interview being sound recorded.

I wish/do not wish to have my recordings returned to me.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signature:

Date:

.....

Full Name - printed

.....

Appendix Four: Quantitative research questions

Interview

The interview will be divided into 3 segments, your organisation, an evaluation of the Mark and Measure course, and general questions about governance. Each segment has 3 or 4 questions, with a total of 11 questions.

First I am going to ask questions about your business to get an overall general idea about your company

1. Give me a general overview/history about your business.
2. How is top management (board, owners, CEO) structured?
3. How well do you work together?
4. How would you rate your organisational performance?

Next, we will look at the Mark and Measure governance development course

5. Why did you choose to go on the Mark and Measure course?
6. Can you recall your understanding of governance prior to the course?
7. What is your opinion of Mark and Measure governance development course? (What did you dislike? What did you like? What did you find most useful? Least useful? What would you have liked to see more of?)
8. Did the course have an impact on the way you run your business? If so, how? If not, why?

(Have there been any changes in your decision making process or governance as a result of the course? In the way you view your organisation and the people in it, their roles and responsibilities and the opportunity that may be now available? Has it changed your understanding of legal compliance and risk management? Are there changes in the way your work with others?)

Next in the final section are some general questions about governance

9. Do you think that governance improves business performance? Why?
10. Can you see the link in your business between governance and performance? Please explain.
11. Do you think that the following seven practices apply to you and your organisation? How?

The practices are:

- Acting with a purpose in mind
- Holding effective governance meetings
- Working with other people
- Making right decisions
- Using a learning orientation
- Knowing what is going on and what to do about it
- Managing risks effectively

12. Are there any practices that appear to have been excluded?

Appendix Five- An overview of research around board meetings

An overview of some of the research in the board meeting.

Study	Theoretical perspective	Findings	Sample
Vafeas (1999)	Agency Theory- boards take a monitoring role	Examined the relationship of board meeting frequency to corporate governance and ownership characteristics. Mean board meetings were 7.45 per year of organisations studied. An increase in board meetings after poor organisational performance, suggesting that board meetings are reactive rather than proactive. A firm's response to poor performance is increasing board meetings. This increase in meeting often improves operating performance. Additionally, the reputation of the directors rather than the independence of directors determined the intensity of board activity	307 firms on the Forbes compensation survey from 1990 to 1994.
Xie, Davidson III and DaDalt (2003)	Agency Theory	Boards and audit committees with corporate or financial backgrounds are associated with firms that have smaller discretionary accruals.	282 firms from the 1992, 1994 and 1994 S7P 500 Index. The firms were selected alphabetically from each of these years.
Cooren (2004)	Cognitive and behavioural approach.	Qualitative study, examined the conversations as well as body language at board meetings.	Single case study looking at six board meetings in a drug

	Collective minding/ collective intelligence and distributed cognition.	Collective intelligence is found in the board meetings studied.	rehabilitation program in New York in 2000; using twenty three formal interviews.
González (2006)	Cognitive and behavioural. Herding behaviour	An experimental study of board of directors in board meetings found herding behaviour. Herding behaviour is where a person makes a decision by ignoring their own information and imitating another's action.	462 observations.
Adams and Ferreira(2008)	No explicit theory stated. The gift-exchange hypotheses.	They find that paying directors increases attendance problems. They found that \$1000 dollars was enough to improve attendance problems by 10%.	S&P Director data for 1500 firms from 1996-2003
Adams and Ferreira (2009)	No explicit theory stated.	Female directors have better board meeting attendance. Male directors have better attendance records the more gender-diverse the board is. Finally, women are more likely to join monitoring committees.	S&P 500, S&P MidCaps and S&P SmallCap firms between 1996 and 2003.
Jiraporn (2009)	No explicit theory.	Directors with more directorships had higher absenteeism at board meetings. Directors with higher ownership stakes did not impact the attendance at board meetings. Monetary incentives did not enhance attendance. Nor did the Sarbanes -Oxley Act impact board attendance.	7261 observations from 1510 firms between the year 1998 and 2003. Data acquired from the Investor responsibility research centre.
Brick and	No explicit theory	Increase of board activity after	Data from

Chidambaran (2010)	stated. But boards can take on a monitoring and advising role.	Sarbanes and Oxley. Poor organisation performance increases board meetings. Acquisition, mergers and accounting restatements increase the level of board activity.	EXECUCOMP and RiskMetrics Group from 1999 to 2005.
Tuggle, Schnatterly and Johnson (2010)	Boards take an advisory and counselling role. Upper echelons and Faultlines perspective.	They found firm/industry background heterogeneity, tenure variance, proportion of directors with output-orientated background were positivity related to time spent discussing entrepreneurial issues. Board meeting informality had no impact on the relationship between director tenure and board attention to entrepreneurial issues. However, some director's background experience enhanced the discussion of entrepreneurial issues while other background hindered it in informal board meetings. Informal board meetings also allowed for better understanding of ideas and acceptance different ideas of other groups.	184 firms between 1994 and 2000.
Greco (2011)	Agency Theory	The number of independent directors' increased meeting frequency and insider ownership negatively impacted the board or the audit committee meeting frequency. Boards were more	All non-financial Italian listed organisations in 2007.

		active in younger organisations.	
Grove, et al (2011)	Agency Theory	Some evidence of board meeting frequency and an increase in financial performance.	236 Public commercial banks in the United States.
Adams and Ferreira (2012)	No explicit theory stated.	Bank directors had worse attendance at meetings than those from non-financial firms. Implicit and explicit incentives related to attendance behaviour. The attendance records do not impact the likelihood that a director will leave the board.	Bank directors. 5707 directorships from 35 large US bank holding companies over the years 1986–1999.
Chou, et al (2013)	Agency Theory	Studied director meeting attendance in Taiwan. Compensation was positively related to attendance even though data should be treated with caution. Longer director tenure and higher qualification increased the likelihood of attendance, increased directorships decreased attendance and family organisations decreased independent director attendance	All non-financial firms listed on the Taiwan Stock exchange in 2006 and 2007
Schwartz-Ziv and Weisbach (2013)	Supervisory model/Agency Theory.	They found boards to be active monitors and in some cases they made managerial decisions themselves. Two thirds of data were supervisory issues. They agreed with the CEO 97.5% of the time. In decision making, 99% of the time they were presented with a single option to choose from. In 8% of the issues	155 board meetings Israeli organisations, where every statement is recorded

		boards discussed they asked for more information.	
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Appendix Six: Business Torque questionnaire items
Redacted

**Appendix Seven –Business Torque questionnaire, subscales items for
the seven practices**

Redacted

Appendix Eight: Missing Data

Table 8-1

Showing missing data at T1. As a general rule of thumb missing values over two percent are worth examining further (Kline, 2005). There were many values over two percent the more extreme values over ten percent are highlighted.

Question	Missing	
	Count	Percent
q1A	0	0.0
q2A	0	0.0
q3A	5	10.2
q4A	1	2.0
q5A	2	4.1
q6A	2	4.1
q7A	1	2.0
q8A	2	4.1
q9A	3	6.1
q10A	1	2.0
q11A	1	2.0
q12A	1	2.0
q13A	7	14.3
q14A	3	6.1
q15A	3	6.1
q16A	3	6.1
Q17A	4	8.2
q18A	2	4.1
q19A	1	2.0
Q20A	3	6.1
q21A	4	8.2
q22A	4	8.2
q23A	2	4.1
q24A	3	6.1
q25A	2	4.1
q26A	1	2.0
q27A	3	6.1
q28A	2	4.1
q29A	12	24.5
q30A	13	26.5
q31A	3	6.1
q32A	10	20.4
q33A	8	16.3
q34A	1	2.0
q35A	1	2.0
q36A	1	2.0
q37A	2	4.1

Q38A	2	4.1
q39A	6	12.2
q41A	0	0.0
q42A	8	16.3
q43A	7	14.3
q44A	5	10.2
q45A	7	14.3
q46A	3	6.1
q47A	4	8.2
q48A	2	4.1
q49A	7	14.3
q50A	5	10.2
q51A	4	8.2
q52A	3	6.1
q53A	0	0.0
q54A	10	20.4
q55A	0	0.0
q56A	1	2.0
q57A	1	2.0
q58A	3	6.1
q59A	5	10.2
Q60A	5	10.2
Q63A		
q64A	0	0.0
q65A	5	10.2
q66A	0	0.0
q67A	11	22.4
q68A	16	32.7
q69A	13	26.5
q70A	11	22.4
Q71A	7	14.3
q72A	9	18.4
q73A	9	18.4
q74A	7	14.3
q75A	6	12.2
q76A	6	12.2
q77A	5	10.2
q78A	3	6.1
q79A	3	6.1
q80A	6	12.2
Q81A	5	10.2
q82A	3	6.1

q83A	3	6.1
q84A	3	6.1
q85A	3	6.1
q86A	6	12.2
q87A	4	8.2
q93A	7	14.3
q94A	10	20.4
q95A	4	8.2
q96A	6	12.2
q97A	3	6.1
q98A	4	8.2
q99A	2	4.1
q100A	4	8.2
q101A	1	2.0
q102A	2	4.1
q103A	2	4.1
Q104A	1	2.0
q105A	2	4.1
q106A	3	6.1
q107A	4	8.2
q108A	3	6.1
q109A	2	4.1
q110A	4	8.2
q111A	6	12.2
q112A	7	14.3
q113A	4	8.2
q114A	3	6.1
q115A	4	8.2
q116A	0	0.0
q117A	0	0.0
q118A	1	2.0
q119A	0	0.0
q120A	1	2.0
q121A	0	0.0
q122A	17	34.7
q123A	5	10.2
q124A	5	10.2
q125A	5	10.2
q126A	6	12.2
q127A	6	12.2
q128A	2	4.1
q129A	8	16.3
q130A	0	0.0
q131A	9	18.4

q132A	22	44.9
Q133A	0	0.0
q134A	0	0.0
q136A	1	2.0
q137A	2	4.1
q138A	1	2.0
q139A	0	0.0
q140A	2	4.1
q141A	2	4.1
q142A	3	6.1
q143A	3	6.1
q144A	2	4.1
Q145A	7	14.3
q146A	1	2.0
q147A	1	2.0
q148A	2	4.1
q149A	3	6.1
q150A	1	2.0
q151A	1	2.0
q152A	5	10.2
q153A	6	12.2
Q154A	5	10.2
q155A	8	16.3
q156A	1	2.0
Q157A	4	8.2
q158A	0	0.0
q159A	1	2.0
q160A	1	2.0
q161A	4	8.2
q162A	2	4.1
q163A	4	8.2
q164A	2	4.1
q165A	5	10.2
q166A	4	8.2
q167A	1	2.0
q168A	7	14.3
q169A	1	2.0
q170A	0	0.0
q171A	2	4.1
Q172A	2	4.1
q173A	7	14.3

Table 8-2

Showing missing data at T2. As a general rule of thumb missing values over five percent are worth examining further(Kline, 2005). There were many values over two percent the more extreme values over ten percent are highlighted.

Questions	Missing	
	Count	Percent
Q1	2	4.1
Q2	2	4.1
Q3	4	8.2
Q4	2	4.1
Q5	3	6.1
Q6	3	6.1
Q7	2	4.1
Q8	2	4.1
Q9	4	8.2
Q10	3	6.1
Q11	2	4.1
Q12	3	6.1
Q13	6	12.2
Q14	2	4.1
Q15	2	4.1
Q16	2	4.1
Q17	3	6.1
Q18	2	4.1
Q19	2	4.1
Q20	3	6.1
Q21	5	10.2
Q22	5	10.2
Q23	2	4.1
Q24	2	4.1
Q25	2	4.1
Q26	2	4.1
Q27	1	2.0
Q28	2	4.1
Q29	7	14.3
Q30	16	32.7
Q31	1	2.0
Q32	8	16.3
Q33	6	12.2
Q34	1	2.0
Q35	4	8.2
Q36	1	2.0
Q37	1	2.0
Q38	1	2.0
Q39	6	12.2

Q41	1	2.0
Q42	6	12.2
Q43	5	10.2
Q44	4	8.2
Q45Q	4	8.2
Q46	1	2.0
Q47	4	8.2
Q48	3	6.1
Q49	2	4.1
Q50	2	4.1
Q51	3	6.1
Q52	2	4.1
Q53	1	2.0
Q54	14	28.6
Q55	2	4.1
Q56	6	12.2
Q57	1	2.0
Q58	4	8.2
Q59	3	6.1
Q60	3	6.1
Q61	6	12.2
Q64	1	2.0
Q65	5	10.2
Q66	1	2.0
Q67	8	16.3
Q68	8	16.3
Q69	6	12.2
Q70	8	16.3
Q71	5	10.2
Q72	4	8.2
Q73	4	8.2
Q74	2	4.1
Q75	2	4.1
Q76	2	4.1
Q77	2	4.1
Q78	2	4.1
Q79	3	6.1
Q80	4	8.2
Q81	3	6.1
Q82	1	2.0
Q83	1	2.0
Q84	1	2.0
Q85	2	4.1
Q86	4	8.2

Q87	2	4.1
Q93	1	2.0
Q94	1	2.0
Q95	3	6.1
Q96	2	4.1
Q97	2	4.1
Q98	3	6.1
Q99	1	2.0
Q100	2	4.1
Q101	3	6.1
Q102	2	4.1
Q103	2	4.1
Q104	2	4.1
Q105	2	4.1
Q106	1	2.0
Q107	1	2.0
Q108	2	4.1
Q109	2	4.1
Q110	1	2.0
Q111	2	4.1
Q112	1	2.0
Q113	2	4.1
Q114	1	2.0
Q115	1	2.0
Q116	2	4.1
Q117	2	4.1
Q118	3	6.1
Q119	2	4.1
Q120	3	6.1
Q121	3	6.1
Q122	8	16.3
Q123	3	6.1
Q124	3	6.1
Q125	3	6.1
Q126	6	12.2
Q127	6	12.2
Q128	3	6.1
Q129	5	10.2
Q130	2	4.1
Q131	4	8.2
Q132	15	30.6
Q133	1	2.0
Q134	2	4.1
Q136	2	4.1

Q137	2	4.1
Q138	1	2.0
Q139	1	2.0
Q140	2	4.1
Q141	1	2.0
Q142	2	4.1
Q143	4	8.2
Q144	2	4.1
Q145	9	18.4
Q146	1	2.0
Q147	3	6.1
Q148	2	4.1
Q149	3	6.1
Q150	1	2.0
Q151	2	4.1
Q152	3	6.1
Q153	5	10.2
Q154	4	8.2
Q155	7	14.3
Q156	1	2.0
Q157	4	8.2
Q158	3	6.1
Q159	3	6.1
Q160	2	4.1
Q161	3	6.1
Q162	1	2.0
Q163	2	4.1
Q164	2	4.1
Q165	2	4.1
Q166	1	2.0
Q167	1	2.0
Q168	2	4.1
Q169	1	2.0
Q170	1	2.0
Q171	3	6.1
Q172	2	4.1
Q173	2	4.1

Appendix Nine- A Development of a New Corporate Governance

Questionnaire

Business Torque Corporate Governance Questionnaire

Q1 Please indicate your role(s) in the business? (You can select more than one option)

- Director (1)
- CEO (2)
- Shareholder (3)
- Management (4)
- Trustee (5)
- Employee (6)
- None (7)
- Don't know (8)
- Other (9) _____

Q2 In the business, is the owner, the board and management all the same person without third party influence (i.e., without third party equity, independent directors or an advisory board)?

- Yes (1)
- No (2)
- Don't know (3) _____

Q3 Please indicate the business structure

- Private company (1)
- Public company (2)
- Trust (3)
- Partnership (4)
- Sole trader (5)
- Co-operative (6)
- Don't know (7)
- Other (8) _____

Q4 How many directors do you have on your board?

Q5 How many shareholders does your entity have?

Q6 Please indicate your current board structure

- All-executive board (A board where all the directors are also the manager(s) of the same entity) (1)
- Majority executive board (A board where that majority of directors the members are also the manage(s) of the same entity) (2)
- Majority non-executive board (A board where the majority of directors are NOT the manager(s) of the same entity) (3)
- All non-executive board (A board where none of the directors are the manager(s) of the same entity) (4)
- Don't know (5)
- Not applicable (6)

Q7 How would you describe your knowledge of the business?

- Very high knowledge (1)
- High knowledge (2)
- Some knowledge (3)
- Little knowledge (4)
- No knowledge (5)
- Don't know (6)

Q8 Please indicate which documents you have in your business (You can select more than one option)

- Organisational purpose (i.e., the fundamental reason for the business's existence, could include values, mission and goals) (1)
- Strategic plan (i.e., a plan which important decisions and direct the allocation of business resources are made) (2)
- Agenda for annual general meetings (AGM) (3)
- Agenda for board meetings (4)
- Board meeting calendar (5)
- Minutes of board meetings (6)
- Interest register (7)
- Share register (8)
- Annual general report (9)
- Don't know (11)

Q9 Please indicate all that apply to the board of directors (You can select more than one option.)

- We have a short term plan for the business (1)
- We have a long term plan for the business (2)
- We focus on the external environment (i.e. legal, political, economic, social, technological, environmental changes) (3)
- We focus on the internal operations of the business itself (i.e. aspects to do with running the business) (4)
- A formally written organisational purpose (5)
- An informal organisational purpose (6)
- A formally written strategic plan (7)
- An informal strategic plan (8)
- Don't know (9)

Q10 Indicate which of the below are regularly referred to for board decision making (You can select more than one option)

- Organisational purpose (1)
- Strategic plan (2)
- Don't know (4)

Q11 Indicate, which people are fully aware of the organisational purpose (i.e., the fundamental reason for the business's existence, could include values, mission and goals)? (You can select more than one option.)

- Shareholders (1)
- Stakeholders (2)
- Board (3)
- Management (4)
- Employees (5)
- Other (6) _____
- Don't know (8)

Q12 On average, how often does the board review the purpose (i.e., the fundamental reason for the business's existence, could include values, mission and goals) of the business?

- More than once a year (1)
- Once a year (2)
- Once every 2-3 years (3)
- Once every 4+ years (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q13 On average, how often does the board review the strategic plan of the business?

- More than once a year (1)
- Once a year (2)
- Once every 2-3 years (3)
- Once every 4+ years (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q14 Does the board have crisis/catastrophe plans for the business?

- Yes (1)
- No (2)
- Don't know (3)

Q15 Do you understand the difference between management tasks and board tasks in your business?

- Yes (1)
- No (2)
- Don't know (3)

Q16 Does the business purpose have a significant influence on board decision making?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Don't know (6)
- Not applicable (7)

Q17 As a board, do you receive relevant information from management to help in decision making?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Don't know (6)
- Not applicable (7)

Q18 As a board, do you receive timely information from management to help in decision making?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Don't know (6)
- Not applicable (7)

Q19 How often does the board have formal meetings?

- More than monthly (1)
- Once a month (2)
- 6-11 times a year (3)
- 2-5 times a year (4)
- Once a year (5)
- Less than once a year (6)
- Never (7)
- Not applicable (8)
- Don't know (9)

Q20 How often does the board have informal meetings?

- More than monthly (1)
- Once a month (2)
- 6-11 times a year (3)
- 2-5 times a year (4)
- Once a year (5)
- Less than once a year (6)
- Never (7)
- Not applicable (8)
- Don't know (9)

Q21 Do you discuss management topics at board meetings?(Management topics are planning and operating the day to day business including systems by which products and/or services are created, made, sold, distributed and serviced.)

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q22 Does management report to the board?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q23 Do you prepare for board meetings?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q24 How effective is board communication during these meetings?

- Very Ineffective (1)
- Ineffective (2)
- Neither effective nor ineffective (3)
- Effective (4)
- Very Effective (5)
- Not applicable (6)
- Don't know (7)

Q25 How would you rate your credibility with other board members?

- Very high credibility (1)
- High credibility (2)
- Moderate credibility (3)
- Low credibility (4)
- No credibility (5)
- Not applicable (6)
- Don't know (7)

Q26 Comment on the board effectiveness of your board?(Consider aspects like how the board manages conflict and consensus, the relationships between members, the size of the board, the ability to make decisions and leadership)

Q27 How often do the board approve budgets?

- Weekly (1)
- 2-3 times a month (2)
- Once a month (3)
- Once every 6 months (4)
- Once a year (5)
- Less Than once a year (6)
- Never (7)
- Not applicable (8)
- Don't now (9)

Q28 How often does the board approve compensation policies (i.e., salaries and bonuses) for management?

- More than once a year (1)
- Once a year (2)
- Less than once a year (3)
- Never (4)
- Not applicable (5)
- Don't know (6)

Q29 Does your business have its own identifiable and established culture?

- Yes (1)
- No (2)
- Don't know (3)

Q30 Please comment on your business culture?

Q31 Does the board work at creating a business culture?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q32 Does the board give sufficient time to important decision-making?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q33 How often does the board review management performance?

- More than once a year (1)
- Once a year (2)
- Less than once a year (3)
- Never (4)
- Not applicable (5)
- Don't know (6)

Q34 How often do you review business performance?

- Weekly (1)
- 2-3 times a month (2)
- Monthly (3)
- Once every 6 months (4)
- Once a year (5)
- Less than once a year (6)
- Never (7)
- Not applicable (8)
- Don't know (9)

Q35 How often does the board monitor budgetary control?

- Weekly (1)
- 2-3 times a month (2)
- Monthly (3)
- Once every 6 months (4)
- Once a year (5)
- Less than once a year (6)
- Never (7)
- Not applicable (8)
- Don't know (9)

Q36 How often do you take corrective action in budgetary control?

- Weekly (1)
- 2-3 times a month (2)
- Monthly (3)
- Once every 6 months (4)
- Once a year (5)
- Less than once a year (6)
- Never (7)
- Not applicable (8)
- Don't know (9)

Q37 How often do you report to shareholders?

- Weekly (1)
- 2-3 times a month (2)
- Monthly (3)
- Once every 6 months (4)
- Once a year (5)
- Less than once a year (6)
- Never (7)
- Not applicable (8)
- Don't know (9)

Q38 Are the board aware how statutory and regulatory compliance affects your business?

- Always (5)
- Most of the time (6)
- Sometimes (7)
- Rarely (8)
- Never (9)
- Not applicable (10)
- Don't know (11)

Q39 Are you aware of the legal duties of a board?

- Always (4)
- Most of the time (5)
- Sometimes (6)
- Rarely (7)
- Never (8)
- Not applicable (9)
- Don't know (10)

Q40 Do you adhere to statutory/regulation compliance require of you as a director?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not Applicable (6)
- Don't know (7)

Q41 How often do you review audit reports?

- Monthly (1)
- Once every 6 months (2)
- Once a year (3)
- Less than once a year (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q42 Is the board aware of minority shareholder rights?

- Always (5)
- Most of the time (6)
- Sometimes (7)
- Rarely (8)
- Never (9)
- Not applicable (10)
- Don't know (11)
- Not applicable (3)

Q43 Are minority shareholder rights upheld?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q45 Do shareholders all receive the same information irrespective of the level of investment/ownership?

- Always (1)
- Most of the time (2)
- Sometimes (3)
- Rarely (4)
- Never (5)
- Not applicable (6)
- Don't know (7)

Q46 Do you have a succession plan for the chief executive officer?

- Yes (1)
- No (2)
- Not applicable (3)
- Don't know (4)

Q47 Do you have a process for the appointment of a new CEO?

- Yes (1)
- No (2)
- Not applicable (3)
- Don't know (4)