**Worker representation on corporate boards from a longitudinal perspective: Between corporate governance and industrial relations**

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**Abstract**

At the intersection between industrial relations and corporate governance - i.e. board level worker representation - this paper attempts to bridge four perspectives from the industrial relations literature (unitary, pluralist, radical and egoist) by observing changes in board director perceptions over time. Empirically, a longitudinal survey (1994-2014), filled out by both shareholder- and worker-elected directors in the largest listed Swedish corporations, is utilized to map differences and similarities between the two director populations regarding ‘perception of responsibility’, ‘governance efficiency’ and ‘board norms’. The findings indicate that some of the different industrial relations perspectives are relevant for understanding worker representation on corporate boards at different times and in different populations. Specifically, we observe that shareholder-elected directors become more financialized in their perceptions over time, whereas worker-elected directors remain more stakeholder-oriented, while to a growing extent acknowledging the interest of the controlling shareholders. Thus, the paper contributes to the industrial relations literature by linking perspectives on industrial relations, often understood as incommensurable, by considering a longitudinal development in perceptions among relevant actors.

**1. Introduction**

In the autumn of 2016, at a UK Conservative Party conference, Prime Minister Theresa May suggested worker representation on corporate boards in an attempt to reform UK capitalism (e.g. Financial Times, September 8, 2016). Although the suggestion has not been transformed into policy, it shows the (renewed) importance of an issue that has received little interest for quite some time. Worker representation on corporate boards (WRB) as a research field exists at the intersection between industrial relations and corporate governance. Industrial relations is here understood as the multidisciplinary study of employment relations (Kaufman, 1993) and corporate governance as the system ‘concerned with who controls the firm, in whose interest the firm is governed and the various ways whereby control is exercised’ (Gospel and Pendelton, 2003, p. 560). In different corporate governance / industrial relations models, there are different versions of WRB, which can broadly be categorized as either following a conservative German model or a Social-Democratic Scandinavian model (see further Jackson, 2005). The most well-known and documented is the German model of co-determination (e.g. Höpner, 2005; Jackson, 2004). The co-determination model, with its long tradition and complicated relation to German 19th and 20th century history, provides workers with a strong position, holding half of the seats on the supervisory board (Aufsichtsrat). In that sense, German co-determination is an important corporate governance mechanism (e.g. Höpner, 2005). Another, less documented (although see e.g. Berglund et al, 2013; Levinson, 2001), WRB approach is applied in Sweden. In Sweden, WRB is a product of the 1970s, the peak of the Swedish Social Democratic Labor movement, and an attempt at a larger reorientation of the Swedish business society toward stakeholding (SOU 1970, p. 41). Unlike Germany, the Swedish corporate governance model includes a one-tier board structure and the Swedish model provides labor unions with a possibility of two, or three, seats on the board. As such, the shareholder-elected directors form a clear majority and s0 the Swedish WRB becomes less of a corporate governance mechanism and more a question of industrial relations.

The study of industrial relations is often claimed to take place within four, more or less, incommensurable research traditions (e.g. Budd and Bhave, 2008; Tapia et al, 2015): Unitary, pluralist, radical and egoist. The unitary perspective, associated with e.g. Bacon (2003), has a management perspective on industrial relations and assumes a common interest between involved actors. The pluralist perspective, on the other hand, assumes that workers and managers have divergent interests and, thus, focuses on institutions involved in resolving conflict (e.g. Clegg, 1975). The idea that conflict between workers and managers could be resolved is refuted by the radical perspective, associated with Marxist theory, and so emphasizes issues regarding class, control and power (e.g. Hyman, 1975). Finally, the egoist perspective, proposed by Budd and Bhave (2008), is connected to a neo-liberal understanding of the world, and hence describes the labor market as any other market, based on rationality, supply and demand, having a similar understanding of markets as does finance. Tapia et al (2015), show how different normative underpinnings of these research traditions tend to result in a scholarly consensus regarding the incommensurability of these perspectives. Nevertheless, they also propose that future research in industrial relations should try to bridge the different perspectives, focusing less on the normative aspects and more on explanatory potential.

In this paper, following Tapia et al’s (2015) suggestion as well as their line of reasoning, we claim that the different perspectives described within the industrial relations research tradition also, to some degree, could be explained by the dominant line of thought in its time, and its challenges portrayed by contemporary critical thinking; that is, industrial relations in an ideological sense, as proposed by Budd and Bhave (2008), and thus something that changes over time (Ackers and Wilkinson, 2005; Budd and Bhave, 2008). Budd and Bhave (2008) develop a framework indicating that the different perspectives assume different sets of key beliefs among the parties involved in an employment relationship. In this paper, we will study WRB from Budd and Bhave’s assumption of key beliefs and ask the following questions; (i) do the parties (i.e. shareholder- and worker-elected directors) agree on norms and values regarding board work, (ii) do these norms and values develop over time, and (iii) is it possible to explain this development with changing modes in industrial relations equal to the perspectives suggested in the literature. Empirically, we utilize a unique longitudinal survey database of directors in the largest listed Swedish corporations collected between the years 1994-2014. The survey is based on a framework for understanding board-work activities and perceived responsibilities of directors involved in actual board work. Surveys are collected for directors elected by shareholders (hereon referred to as SR) as well as directors elected (through their unions) by workers (hereon referred to as ER). The findings of the paper indicate that important changes have taken place in the last two decades in how both director categories perceive their responsibilities. Based on the data, we claim that their perceptions have converged in such a way that ER directors are clearly more shareholder-value-oriented today than historically, while SR directors, to some extent, are more interested in worker-related issues. Thus, the paper contributes to the understanding of WRB as society gradually changes. The rest of the paper is structured as follows: After a brief historical sketch of the Swedish corporate governance model from an industrial relations perspective, our propositions are set out. This is followed by a method section and a presentation of our results based on a longitudinal study of the Swedish (shareholder- and worker-elected) director population. Finally, findings are discussed in light of industrial relations literature, before being concluded.

**2. Initiating ER in Swedish boards**

Swedish corporate law, as it was introduced in 1848 and as it remains today, is based on the notion of a sole proprietor and a unified system of corporate law with regard to size and corporate purpose (i.e. Swedish law only acknowledge the AB [Sw: aktiebolag] for investment with limited liability[[1]](#footnote-1)). That is, unlike many other countries, such as the UK distinguishing private from public corporations or Germany distinguishing between GmbH and AG, Swedish law only acknowledges the AB, which has the stated purpose (unless otherwise declared) of profit generation on behalf of the shareholders. Today, this is a non-topic; however, that has not always been the case. In 1972, the Social-Democratic government proposed directors representing labor (in corporations with more than 100 employees, later on from 25 employees) and directors representing the state (in the largest investment companies) with, among others, this argument:

“*The standpoint – that the board of directors has a responsibility in total, toward all stakeholders involved and in the interest of the corporation, rather than toward one specific group – is slowly sinking in, both in the general debate and in board practice*” (Prop. 1972:162, p. 60).

That is, when proposing a new law regarding board representation on behalf of society and labor, the government also tried to redefine the corporate purpose in Sweden. This was part of a larger program on behalf of the Social-Democrats. In the 1970s, Swedish Social-Democracy had embarked on a program of ‘economic democracy’ as the step to follow ‘political democracy’. This program culminated a few years later with the wage-earner fund debate (see further Henrekson and Jakobsson, 2001; Viktorov, 2006); a reform with the purpose of creating ‘social enterprises without owners’ (Meidner, 1975). In 1974, the Social Democrat Party lost their majority and in 1976 a change to a middle- and conservative government occurred. The reform work was thereby delayed. The regulation regarding worker representation was initiated 1971 as the Swedish trade union federation (the blue-collar LO) started to advocate a new law regarding broader representation of workers in decision making. A governmental committee was established in order to prepare for such regulation (Sass, 2014) and in 1978 the regulation was implemented. The regulation made it possible for each of the union(s) in an AB with more than 25 employees to elect two to three members as representatives on the board. At that time, the union density was 92% (Statistics Sweden, 2017). Sweden was not the only country to implement WRB during the 1970s. Six other European countries issued similar regulation in the 1970s; among others Denmark and the Netherlands (Conchon, 2011).

Since the 1970s, Swedish society has gradually been transformed. Deregulation (e.g. of capital movement in the 1980s), the neo-liberal movement and globalization (e.g. joining the EU in the 1990s) have affected both values and regulation. Simultaneously, union density in Sweden is slowly decreasing, and is currently down to 69 % in 2016 (Statistics Sweden, 2017). Nevertheless, labor representatives remain on the boards; probably as they are considered beneficial for both labor and shareholders (see further Levinson, 2001, for a clearly unitary stance on labour voice in Sweden), although an increasing number of local unions has chosen to opt out of labor representatives (Berglund et al, 2013). Therefore, labour representatives on corporate boards remain a distinguishing character of Swedish corporate governance, even in times when increasing convergence is reported regarding corporate law (Katelouzou and Siems, 2015) as well as corporate practice (Schnyder, 2016). Furthermore, labor representatives have survived the onslaught of financialization in Sweden (Belfrage and Kallifatides, 2016), although it seems that norms such as shareholder value have been added to – rather than replacing – traditional stakeholder norms in Swedish corporate boards (Jonnergård and Larsson-Olaison, 2013).

**3. Defining shareholder- and worker-elected representatives’ values and norms on a middle-range level of analysis**

According to Budd and Bhave (2008; 2009) and Tapia et al (2015), most research on industrial relations has emerged from four different perspectives. In table 1 below, some of the features of the perspectives are gathered:

The different perspectives are meta-theories. As may be seen in table 1 the assumptions of the different perspective differ. The issue dealt with in this paper is the way these assumptions may vary between different parties and different perspectives and how this may be reflected at the level of board of directors, throughout time. A first step in specifying this is to determine which norms and values may be of interest and how different perspectives indicate similarities and/or differences (see Tapia et al, 2015). Here, we are guided by the main perspectives in the field of corporate governance. In this exercise we exclude the radical perspective.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Perspective | Egoist | Unitary | Pluralist | Radical |
| View of employer | Profit maximizing. | Profit maximizingwith self-interest to align its interest with employees. | Profit maximizingor stakeholder value.Divergent interest from employees. | Power and control.Conflicting interest to employees. |
| View on employees | Utility-maxing (survival and income). Rational.  | Fulfilment.Motivated by intrinsic rewards. | Equity and voice.Psychological beings with moral worth and democratic rights. | Power and control.Psychological beings with moral worth, democratic rights and class interest. |
| View on market | Key driver, ideally perfect competitive | Important for establish broad terms of condition for employment, not deterministic | Imperfect competitive, imbalances in bargaining power | Part of a broader social-political system with structural inequalities between employer and employees |
| The employment contract | Mutually advantageous trade in a free market by self-maximizing agents.Market solutions. | Long-term partnership with a unity of interest.Trust and harmony.Managed conflict. | Bargain between stakeholders with pluralist economic interests and unequal bargaining power.Need for regulation. | Unequal power relation embedded in complex socio-political economic inequalities.Struggle for power and control. |
| Key beliefs | Freedom and individual self-interest yield optimal outcome through free market transactions. | Corporate policies can align the interests of employers and employees. | Optimal outcome is achieved when there is a balance between employer and employee interests. | Capital dominates labor in the employment relationship and in broader societal institutions. |

Table 1: Perspectives on employer-employee relationship (developed from Budd and Bhave, 2008, p. 13; 2009, p. 56 and Tapia et al, 2015, p. 16)

In corporate governance research on boards of directors, the roles of the board are often divided into the role of controlling the top management and the role of supporting the corporation by supplying competence, resources or contacts (e.g. Hillman & Dalziel, 2003; Johnson et al, 1996, Zahra and Pearce, 1989). A number of articles in this area has been concerned with how board composition regarding the directors’ competence, network or independence is reflected in the performance of the board (see Dalton and Daily, 2005, for a review). There is less discussion about how different types of norms and values among directors may influence board work (see however Forbes and Milliken, 1999; Huse, 2005; Zona and Zattoni, 2007). From mainstream research, we may however detect some areas where assumptions regarding the values of directors appear to be important. A first such area is *to whom / what the directors perceive that they are responsible* (perception of responsibility). The main divergence in the literature regarding this has been between resource dependence theory, as presented by Pfeffer and Salancik (1978; Pfeffer, 1972) and agency theory (e.g. Fama and Jensen, 1983). According to resource dependence theory, the role of the board is to decrease the uncertainty of the firm and, in so doing, to act as guardians of the corporation as such. The main responsibility is therefore toward the corporation (see also Blair and Stout, 2001, for the legal version of this). This differs substantially from the assumption of agency theory, where the main responsibility of the board is toward the shareholders (and especially so in terms of their wealth). These two conceptualizations of responsibility are however not the only ones. In recent research on CSR or in stakeholder theory, responsibility is conceived as toward a larger number of constituents (e.g. Jones, 1995; Money and Schepers, 2007). Perception of responsibility is thus one value that appears to be important and which may vary between different directors.

Another area, where basic assumptions about director values seem to differ between the main corporate governance theories, is *how to govern the firm in the best way* (governance efficiency). In agency theory, the emphasis is on information from, and competition in, markets (Fama, 1980), while resource dependence theory emphasizes building networks and in different ways co-opting important resources (Pfeffer and Salancik, 1978). Another emphasis can be found within the strategic choice tradition (Mcnulty and Pettigrew, 1996; 1998; 1999). Here, board participation in developing strategies and policies as well as the use of internal control systems are emphasized, built on the assumption that directors have the power to actually influence the corporation (and that they normatively should do so). Governance efficiency is thus a second area where we may expect to find a variation of assumptions that may be reflected in the values of directors when carrying out board-work.

In more recent research on boards, a focus on the processes in the internal work of the board has emerged. Much of this research originates from Forbes and Milliken’s (1999) work on the board as a cognitive task group and focuses on information gathering and conflicts within the board (van Ees et al, 2008; Pye and Pettigrew, 2005). This area is still in need of more empirical research; it is difficult to gain actual access to the boardroom (Leblanc and Schwartz, 2007). From the conceptual work in the area (e.g. Huse, 2007), one may draw the conclusion that norms toward the internal work of the board (board norms), is a third area where the norms of individual directors may be of importance.

In table 2, we draw on the industrial relations’ perspectives’ key beliefs from table 1 in relation to three aspects of board work; perception of responsibility, governance efficiency and board norms.

A first value that may differ between the parties and the perspectives in table 2 below is therefore board directors’ *perceived of responsibility*. As discussed above, perceptions may differ in terms of a perceived responsibility to the shareholders, to the corporation as such or to a larger set of stakeholders (including employees). In a situation of diffused ownership, i.e. a competitive stock market, a responsibility toward the shareholder is a likely perception for both SRs and ERs, if the egoist perspective applies. Such a perception would imply that the market for ownership is the efficient way of both controlling the corporation and ensuring profit-maximization. Such a unity of values may or may not be the case, if a unitary perspective applies. On the part of SRs, a dual perception of responsibility toward (i) the shareholder and (ii) the corporation as such ought to be the case, as profit-maximization in this case is delimited by a consensus policy toward employees. The employees on the other hand would, within this perspective, emphasize responsibility to the corporation as such, given the internal focus of the employment contract. This differs from the responsibility relations embedded in the pluralist perspective, where SRs’ perceived responsibility may be directed toward (i) the shareholders and (ii) the stakeholders at large, due to the stakeholder-reward model as a basic model for action (cf. Simon, 1947). On the same basis, ERs might perceive their responsibility as being toward stakeholders at large if the pluralist perspective applies. As may be noted, in all perspectives above, SRs focus on shareholders. This is to be expected as these directors are elected at the annual general meeting. Differences between the perspectives should here consist of a variance in the degree to which other stakeholders are taken into consideration.

Two values that are related and connected to the perception of *governance efficiency* are perceptions of effectiveness of the stock market and the best means for the board to govern the corporation. These values are important as a basis for board decisions, as they determine what kind of information is conceived of as important (such as evaluation of corporation and management) and what kind of action that is deemed appropriate. As mentioned above, the egoist perspective explicitly takes a market efficiency perspective, implying that both SRs and ERs ought to have a positive attitude toward the market as signaling both appropriate actions and evaluation of the corporation. Again, it is more difficult to discern what kind of values SRs and ERs will favor on the board within the other perspectives. When it comes to the unitary perspective, it is likely that both SRs and ERs emphasize values that promote actions that are within the control of the board and the corporation. The ideal will be to carry out a dialogue and give directions to the top management, as the unitary perspective emphasizes a long-term relationship and the managing of conflict. As in the strategic choice perspective, this implies a belief in the possibility for the board to influence the direction of the corporation. The pluralist perspective may differ from this as (i) for the SRs it may be important to ‘listen to the market’ and (ii) for both SR and the ER-directors, the emphasis on multiple of sources will be greater than if the unitary perspective applies, as the emphasis within this perspective is to balance different interests.

A last dimension of interest is *board norms*, i.e. how to interact with other directors on the board. Given our focus on the relationship between SRs and ERs, this issue is highly relevant. Two sides of this issue may be highlighted; (i) the perception of whom directors represent on the board and (ii) how to gather and share information. Given the key belief of freedom and individual self-interest in the egoist perspective, it is likely that the egoist perspective would differ from the other both regarding SR and ER, emphasizing individuality. The idea of markets and competition as a basis for processes and relationships implies that each director represents herself and individually searches for and interprets information. From the unitary perspective, it is likely that sharing information ought to be emphasized from both parties on the board, given the focus on serving the corporation, not oneself. Within this perspective, an SR might perceive that she represents the shareholders while the ER represents herself as an employee (and not the union as such) in order to support corporate development. The pluralist perspective instead opens up for a perception of directorship as representational (see e.g. Stearns and Mizruchi, 1993). This implies that information sharing is less likely than if the unitary perspective applies.

Although it is not likely that we will find any of the above ‘pure’ forms empirically, it should be possible to observe which perspective is more (or less) applicable for each population of directors and whether a development occurs over time or not.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Egoist** | **Unitary** | **Pluralist** | **Radical** |
| **Perception of responsibility** | SR and ER: Toward the stock market.*Small differences in perceptions.* | SR and ER: Toward present shareholders and the corporation as a whole,*Small differences in perceptions.* | SR: Toward shareholders and stakeholders (including employees). ER: Toward stakeholders. *Differences in perceptions,* | SR: Toward shareholders.ER: Primarily toward the union.*Conflicting perceptions.* |
| **Governance efficiency** | SR and ER: Action and evaluation determined by the stock market.*Small differences in perceptions.* | SR and ER: Action and evaluation determined by the board.*Small differences in perceptions.* | SR: A combination of market evaluation and multiple sources for action.ER: Multiple sources for evaluation and action.*Differences in perceptions.* | SR: Market control.ER: Worker council control (not applicable).*Conflicting perceptions.* |
| **Board norms** | SR and ER: Represent themselves as individuals, no sharing of information, external information search.*Small differences in perceptions.* | SR: Represent shareholders.ER: Represent themselves and employees (but not the union).SR and ER: Information sharing, no external information search.*Small differences in perceptions.* | SR: Represent shareholders and/or their own organizationER: Represent the unionSR and ER: No information sharing, external information search.*Differences in perceptions.* | SR: Represent shareholders.ER: Represent workers.*Conflicting perceptions.* |

Table 2: Values and norms for SRs and ERs in corporate board work

**4. Method**

Data was collected through surveys complemented by archival data. Five surveys were sent out in 1994, 1999, 2004, 2009 and 2014 in order to study director perceptions and norms. In 1994, the survey was sent to all board directors of the largest and most traded corporations [Sw: A-listan], listed on the Stockholm stock exchange. All directors received one survey referring to one specific corporation even if they served on several boards. In order to reduce the number of interlocks, we excluded pure investment companies and banks from our population, as they were known to consist of directors serving on several boards. The surveys in 1999, 2004, 2009 and 2014 were sent to directors of the largest and most traded corporations, listed on the Stockholm stock exchange, and to the board directors of corporations targeted in earlier surveys, which still existed and had not been de-listed.

**5. Results**

The results are described in table 3-6 below with means and t-tests for differences in means for the different items measuring the dimensions perception of responsibility, governance efficiency and board norms. In addition, we include the rank of the different items (within each table). This corresponds to the ranking of the items made by the respondents (in other words, the item with the highest mean is given rank no 1 etc.). The latter does not include a statistical test, but is included to facilitate analysis of whether certain items have increased in importance over other items over time or not. The tables thereby include (i) the means of items for all directors as well as SR and ER separately for each survey year, (ii) whether an item has significantly changed for SR and ER between survey years – in total as well as each year individually – or not, (iii) if there is a significant difference between ER and SR responses at each survey year (iv) the rank of the items for ER and SR for each survey year.

**5.1 Perception of responsibility**

INSERT TABLE 3 ABOUT HERE

Generally, the items regarding a wide (item 1-3) rather than a more specific responsibility have the higher means over time. For item 1 ‘responsibility toward the owners’, 2009 is lacking from the material. For SR, it is obvious that responsibility toward the owners has been salient and consistent over time having the highest as well as significantly increasing mean. As for ER, we may observe an increase in importance between 2004 and 2014, from rank 6 in (1999 and) 2004 to rank 1 in 2014. Furthermore, we found that the increase between 1999 and 2004 was significant (not included in the table). The differences in importance between the ER and the SR also diminish over time and disappear in 2014.

Besides the wider responsibility of the firm, items regarding ‘legal behavior’ (item 5 tax policies, and partly item 8 fulfilment of contracts) seem to be of importance for the ER. Again, we note a decreasing difference between ER and SR and while there is a significant difference in 1994 and 2004, there is no such difference in 2009 and 2014.

The single item where a more consistent difference may be seen between SR and ER is, not surprisingly, item 6 responsibility toward the unions. However, SR means increase significantly over time, meaning that its importance among SRs has increased. The item is however not very highly ranked by any of the respondents, implying that it is not seen as a core responsibility. The same goes for item 7 working environment, which also not very highly ranked, is perceived as significantly more important by ERs than SRs until 2009.

An item that appears to have gained more attention from both SR and ER is item 4 responsibility for the company’s environmental policies. Here, we find a significant increase for both SRs and ERs. The item is ranked higher by both groups at the end of the study period than in the beginning, although the change is most noticeable for ERs changing from rank 6 to rank 2.

In general, we may conclude that in the beginning of the study period there were significant differences between SRs and ERs, but few of them resist time. Also, the ranking of different items of responsibility has become more similar for the different types of directors over time.

**5.2 Governance efficiency**

The dimension of governance efficiency has been measured by two survey question categories; (i) one with items about companies and the stock market in general (table 4) and (ii) one with items regarding board work in general (table 5).

INSERT TABLE 4 HERE

In general, the perception of the importance of the stock market or market-based governance measures have increased over time (items 1, 5 and 6) with one main exception. ERs are more skeptical toward whether stock market actors act with a sufficiently long-term view to assure industrial development (item 1). Both types of directors rank this item rather low. In addition, while the SRs since 1999 have ranked the interests of shareholders as the company’s first priority (item 6) as the highest, the item has persistently been ranked substantially lower by ERs. The opposite pattern may be seen for re-investment of generated earnings (item 7), which is consistently the highest ranked item by ERs, while ranked as 4 by SRs.

Perceptions regarding companies and the stock market in general differ more between the different types of directors than perceptions of the responsibility, as discussed above. Two of the items; the spreading of risk through diversification and re-investment of generated earnings (items 3 and 7) have consistent differences between SR and the ER perceptions. We interpret this as a difference in the view of whether the firm is an efficient means of allocating resources or not. A similar pattern was discerned when we discussed item 6 and 7 above. Survival of the firm (item 4) seems important for both types of directors, but not the most important any more.

In table 5, we have gathered items regarding board work in general.

INSERT TABLE FIVE ABOUT HERE

Here, we find a surprisingly consistent pattern. There are few significant differences between SR and ER perceptions. Both types of directors clearly and consistently prefer an active role for the board in strategic work and a model that emphasizes dialogue with the management. For both groups of directors the idea of controlling the company by firing and hiring CEOs has the lowest priority.

For two of the items we find significant differences between ERs and SRs. The first regards the possibility of controlling complex companies (item 4, significant differences 1994-2004), where the mean of ERs is higher than the one for SRs. For the second item regarding design of good reward schemes (item 6), the means for both SRs and ERs have increased significantly over time. In addition, ERs consistently have a significantly lower mean than SRs. In general, however, it seems that perceptions of board governance are similar for the groups.

**5.3 Board norms**

INSERT TABLE SIX ABOUT HERE

In table 6, we present items regarding board norms. Again, these are consistent over time with few differences between SRs and ERs. Two related items may nevertheless require some discussion. First, it is obvious that ERs perceive themselves as representatives for a group to a larger degree than do SRs. The difference between the ER and SR is significant regarding whether one represents one’s own opinion or that of a group (item 2) over time and the rank is very different too. The second item where we find significant differences is regarding if board issues should be discussed with people outside the board (item 3). This mean is significantly higher for ERs than for SRs until 2014.

Another item that differs between the types of directors is whether or not they can affect the activity of the firm (item 4). Both groups perceive that they can do that, but SRs agree with this to a significantly higher degree over time. The salient result regarding board norms, however, is mainly its persistence over time.

**6. Discussion and conclusion**

In this paper, worker representation on corporate boards (WRB) has been studied from the perspective of the involved actors. This was done in the empirical setting of Scandinavian Social-Democratic WRB (see further Jackson, 2004) highlighting the tension between corporate governance and industrial relations. The ambition was to bridge four, often considered as incommensurable, perspectives on industrial relations; unitary, pluralist, radical, and egoist (see further Tapia et al, 2014). This paper started out from Budd and Bhave’s (2008; 2009) assumption of key beliefs, and asked the following questions; (i) do the parties (i.e. shareholder- and worker-elected directors) agree on norms and values regarding board work, (ii) do these norms and values develop over time, and (iii) is it possible to explain this development with changing modes in industrial relations equal to the perspectives suggested in the literature. Our survey covered three dimensions of board work, drawing on corporate governance board research (e.g. Hillman & Dalziel, 2003; Johnson et al, 1996, Zahra and Pearce, 1989), namely ‘perception of responsibility’. ‘governance efficiency’, and ‘board norms’. Through the empirical analysis, a number of interesting findings were exemplified, which in this section will be discussed in light of the literature.

First of all, regarding ‘perception of responsibility’, a major change over time involves the ER perceived responsibility toward the ‘owners’. Throughout the studied period the ERs show a statistically significant increase in this perception, making it their top priority in the last three surveys (2004-2014). This could be interpreted as a form of more shareholder-value orientation among the ERs. However, this needs to be contrasted with their replies on the ‘governance efficiency’ statement that ‘the interests of shareholders is always the company’s first priority’, which for the total population increased in importance throughout the studied period, but remains low in mean and rank as prioritized by the ERs. Thus, ERs acknowledge the interest of the ‘owners’ but do not put the ‘shareholders’ first. In order to make sense of this seemingly inconsistent result, one characteristic of the Swedish corporate governance model must be considered; the concentrated ownership and the reliance on controlling shareholders for handling the agency problem (i.e. how to make management or the agents act in the interest of shareholders or the principals). Jansson (2013) and Jonnergård and Larsson-Olaison (2017) shed further light on this in that an ‘owner’ in a Swedish context tends to signify controlling shareholders, or flesh-and-blood owners, while a ‘shareholder’ tends more to signify small investors, who are perceived as more short-sighted and institutional in nature. In this setting, the ‘owners’ are held in high regard, bringing stability to an uncertain situation, while the ‘shareholders’ (or investors) are viewed with less regard. Therefore, the seeming inconsistency of the ERs can be understood as an acknowledgment of the Swedish corporate governance model, while refuting the diffusion of a shareholder-value orientation. This is also in line with the so-called Swedish model, given the historical connection between labor unions, controlling shareholders and the (Social-Democratic) government (see further Högfeldt, 2005).

Second, over time, SRs perceptions seem to become more financialized. In 1994, their top priority was corporate survival, while in the following surveys the interest of the shareholders is the top priority. The interest of the shareholders also increases significantly during the two decades studied. Moreover, in the ‘governance efficiency’ dimension, we see an increase in importance of stock price and design of management reward schemes, which are both commonly associated with a shareholder-value orientation (e.g. Lazonick and O’Sullivan, 2001; Weinstein, 2012). Thus, we interpret this as a move towards more egoist (Budd and Bhave, 2008) stance visive the ERs on how to understand boards today.

Third, ER perceptions are more consistent over time. With the exception of perceived responsibility toward the owners discussed above, they prioritize corporate survival and the reinvestment of generated profits. With a consistent stakeholder perspective of the corporation, and a clear understanding of the economic interest of the group they represent, ERs seem to represent a pluralist stance in their relation to the board and the corporation (Clegg, 1975). This is understandable given the conflict solving nature of the Swedish WRB approach. However, their persistence in norms and values over time (when SRs so clearly have changed their stance) may have implications for the stability of the Swedish WRB model. In the light of this value persistence, the findings of Berglund et al (2014), where more and more unions opt out of board representation, is understandable. After all, the greater the discrepancy between the views of the two different representatives, the less likely is it that conflicts can be resolved. In an environment based on collective responsibility (see next on board norms), where ERs form a minority, they will tend to be responsible for decisions they don’t support, and then it might be a better option to opt out. This might have long-term implications for the stability of the Swedish WRB model.

Finally, considering ‘board norm’, these norms are very consistent over time. The board has a collective responsibility, which also follows from Swedish law. This is throughout the studied time-period the most dominant norm, valued high by both ERs and SRs. Another consistent norm that is interesting to note concerns the question of representation. Throughout the studied time, the SR score high on representing their own opinion, while the ERs consistently score low. This is a statistically significant difference between the two population, clearly indicating the mandate the ERs feel they have: they represent the workers and they don’t over time becomes captured by colluding interests in the board-room. Their replies are also consistent with a pluralist view (Clegg, 1975) of board work, while the SRs has an individualized perception, which might be in line with a egoist stance (Budd & Bhave, 2009)

Then, to conclude the paper, many aspects of the Swedish WRB approach tend to be fairly consistent over time. The ERs are more stakeholder oriented, viewing their mandate as representing the workers and having a pluralist view, where board level representation is a possibility for conflict resolution. The SRs, on the other, coming from a similar position as the ERs, tend to be more financialized and egoistic in their perception. These differences might explain the elsewhere documented (Berglund et al, 2014) lower commitment to the WRB approach on behalf of the unions.

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|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| The board is responsible… |  | 1994 |  | 1999 |  | 2004 |  | 2009 |  | 2014 | 1994-2014 |
|  | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig |
| 1. … towards the owners | SR | 5,84 | 1 |  | 5,90 | 1 |  | 5,96 | 1 |  |  |  |  | 5,92 | 1 |  |
| ER | 5,30 | 3 | - \*\* | 4,56 | 6 | + \* | 5,16 | 6 |  |  |  |  | 5,89 | 1 |  |
| ER-SR | - \*\*\* |  |  | - \*\*\* |  |  | - \*\*\* |  |  |  |  |  |  |  |  |
| 2 … for all the company’s activities regardless where the decision is taken | SR | 5,34 | 2 | + \* | 5,61 | 2 |  | 5,73 | 2 |  | 5,74 | 1 |  | 5,64 | 3 | + \* |
| ER | 5,54 | 1 |  | 5,23 | 2 |  | 5,36 | 2 |  | 5,24 | 1 |  | 5,06 | 3 |  |
| ER-SR |  |  |  | - \* |  |  | - \* |  |  |  |  |  |  |  |  |
| 3 … above and beyond the law | SR | 5,18 | 3 | + \* | 5,52 | 3 |  | 5,50 | 3 |  | 5,61 | 2 |  | 5,76 | 2 | + \*\*\* |
| ER | 5,06 | 5 |  | 5,33 | 1 |  | 5,33 | 4 |  | 4,91 | 2 |  | 4,88 |  5 |  |
| ER-SR |  |  |  |  |  |  |  |  |  | - \* |  |  |  |  |  |
| 4 … for the company’s environmental policies | SR | 4,18 | 6 | + \*\*\* | 4,89 | 4 |  | 4,95 | 4 | + \* | 5,27 | 4 |  | 5,21 | 5 | + \*\*\* |
| ER | 4,86 | 6 |  | 4,80 | 3 |  | 5,22 | 5 |  | 4,79 | 5 | X | 5,67 | 2 | X |
| ER-SR | + \*\*\* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 5 … for the company’s tax policies | SR | 4,57 | 5 |  | 4,68 | 6 |  | 4,80 | 6 | + \*\* | 5,29 | 3 |  | 5,34 | 4 | + \*\*\* |
| ER | 5,42 | 2 | - \*\* | 4,72 | 5 | + \*\* | 5,51 | 1 |  | 4,79 | 5 |  | 4,94 | 4 |  |
| ER-SR | + \*\*\* |  |  |  |  |  | + \*\* |  |  |  |  |  |  |  |  |
| 6. … for the company’s relation to the unions | SR | 3,15 | 8 |  | 3,30 | 8 |  | 3,56 | 8 |  | 3,81 | 7 |  | 3,76 | 8 | + \*\*\* |
| ER | 4,45 | 6 |  | 4,37 | 7 |  | 4,61 | 8 |  | 4,18 | 7 |  | 4,75 | 7 |  |
| ER-SR | + \*\*\* |  |  | + \*\*\* |  |  | + \*\*\* |  |  |  |  |  | + \* |  |  |
| 7 … for the company’s working environment | SR | 3,47 | 7 | + \* | 3,75 | 7 |  | 3,89 | 7 | + \*\* | 4,44 | 6 |  | 4,59 | 7 | + \*\*\* |
| ER | 4,21 | 7 |  | 4,23 | 8 |  | 4,74 | 7 |  | 4,24 | 6 |  | 4,38 | 8 |  |
| ER-SR | + \*\*\* |  |  | + \* |  |  | + \*\* |  |  |  |  |  |  |  |  |
| 8. … for the company upholding agreed-upon contracts | SR | 4,91 | 4 |  | 4,89 | 4 |  | 4,81 | 5 |  | 5,08 | 5 |  | 4,99 | 6 |  |
| ER | 5,19 | 4 |  | 4,77 | 4 | + \* | 5,34 | 3 |  | 4,71 | 5 |  | 4,88 | 5 |  |
| ER-SR |  |  |  |  |  |  | + \* |  |  |  |  |  |  |  |  |

Table 3: Means, rank and t-test for items measuring perception of board responsibility

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Statements about organizational and the stock market mechanism in general  |  | 1994 |  | 1999 |  | 2004 |  | 2009 |  | 2014 |  | 1994-2014 |
|  | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig |
| 1. Stock market actors act with a sufficiently long-term view to assure healthy industrial development. | SR | 3,66 | 5 | -\* | 3,38 | 6 |  | 3,48 | 6 | +\*\* | 3,93 | 5 |  | 4,09 | 5 | +\*\* |
| ER | 3,05 | 7 |  | 2,69 | 7 |  | 2,93 | 7 |  | 3,06 | 7 |  | 3,47 | 7 |  |
| ER-SR | -\*\*\* |  |  | -\*\*\* |  |  | -\*\* |  |  | -\*\*\* |  |  |  |  |  |
| 2. Corporate acquisitions of subsidiaries are always part of long-term industrial development. | SR | 4,62 | 2 |  | 4,53 | 2 |  | 4,40 | 2 |  | 4,44 | 2 | +\* | 4,82 | 2 |  |
| ER | 4,54 | 3 |  | 4,19 | 3 |  | 4,37 | 3 |  | 4,15 | 4 | +\*\* | 5,56 | 2 | +\*\* |
| ER-SR  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3. Companies spread risk most effectively through diversification. | SR | 2,72 | 7 |  | 2,72 | 7 |  | 2,94 | 7 |  | 3,14 | 7 |  | 3,31 | 7 | +\*\*\* |
| ER | 3,75 | 4 |  | 3,36 | 6 | +\*\* | 4,00 | 6 |  | 3,94 | 6 |  | 4,40 | 4 |  |
| ER-SR | +\*\*\* |  |  | +\*\*\* |  |  | +\*\*\* |  |  | +\*\* |  |  | +\*\* |  |  |
| 4. Survival is always the company’s most important objective. | SR | 4,97 | 1 | -\*\*\* | 4,31 | 3 |  | 4,34 | 3 |  | 4,54 | 3 |  | 4,56 | 3 | -\* |
| ER | 5,05 | 2 |  | 4,69 | 2 |  | 5,03 | 2 |  | 5,58 | 1 |  | 5,13 | 3 |  |
| ER-SR |  |  |  |  |  |  | +\*\* |  |  | +\*\*\* |  |  |  |  |  |

Table 4a: Means, rank and T-test for items measuring perceptions of organizational and stock market mechanisms

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Statement about the board work in general |  | 1994 |  |  | 1999 |  |  | 2004 |  |  | 2009 |  |  | 2014 |  | 1994-2014 |
|  |  | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig |
| 1.The best way for a board to fulfil its functions is to contribute its industrial knowledge and experience to the company. | SR | 5,43 | 4 |  | 5,35 | 3 |  | 5,43 | 4 | -\* | 5,11 | 4 |  | 5,24 | 4 |  |
| ER | 5,66 | 4 |  | 5,49 | 4 |  | 5,72 | 3 |  | 5,58 | 4 |  | 5,69 | 4 |  |
| ER-SR |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2. The board’s role is to formulate guidelines for the CEO’s work. | SR | 5,63 | 2 | -\*\* | 5,23 | 4 | +\*\* | 5,60 | 3 |  | 5,47 | 3 |  | 5,53 | 3 |  |
| ER | 5,74 | 3 |  | 5,53 | 3 |  | 5,66 | 4 |  | 5,70 | 3 |  | 5,81 | 3 |  |
| ER-SR |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 3. The best way for a board to evaluate a company is via an ongoing dialog with the top management. | SR | 5,58 | 3 |  | 5,61 | 2 |  | 5,66 | 2 |  | 5,65 | 2 |  | 5,74 | 2 |  |
| ER | 5,84 | 2 |  | 5,60 | 2 |  | 5,79 | 2 |  | 6,09 | 1 |  | 6,19 | 1 |  |
| ER-SR | +\* |  |  |  |  |  |  |  |  | +\* |  |  |  |  |  |
| 4. Today’s companies are far too complex for the board to fully control the firms’ development. | SR | 4,11 | 5 |  | 3,89 | 6 |  | 3,86 | 5 |  | 3,65 | 6 |  | 3,83 | 6 |  |
| ER | 4,55 | 5 |  | 4,42 | 5 |  | 4,66 | 4 |  | 4,36 | 5 |  | 4,50 | 6 |  |
| ER-SR | +\* |  |  | +\* |  |  | +\*\* |  |  | +\* |  |  |  |  |  |
| 5. The best way for a board to fulfil its functions is to actively participate in the formulation of the company’s strategy. | SR | 5,94 | 1 |  | 5,94 | 1 |  | 5,89 | 1 |  | 6,09 | 1 |  | 6,10 | 1 |  |
| ER | 5,99 | 1 |  | 5,76 | 1 |  | 6,00 | 1 |  | 5,82 | 2 |  | 6,13 | 2 |  |
| ER-SR |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 6. The best way for a board to fulfil its functions is to design good reward schemes for the company’s top management. | SR | 3,56 | 6 | +\*\*\* | 4,01 | 5 |  | 3,98 | 6 | +\* | 4,28 | 5 | +\* | 4,60 | 5 | +\*\*\* |
| ER | 2,71 | 6 |  | 2,55 | 7 | +\* | 3,02 | 6 |  | 3,09 | 6 |  | 3,88 | 5 | +\*\* |
| ER-AGM | -\*\*\* |  |  | -\*\*\* |  |  | -\*\*\* |  |  | -\*\*\* |  |  | -\* |  |  |
| 7. The board’s only opportunity to control the company is through the hiring (and firing) of the CEO. | SR | 2,90 | 7 |  | 2,86 | 7 |  | 2,87 | 7 |  | 2,95 | 7 |  | 3,02 | 7 |  |
| ER | 2,44 | 7 |  | 2,71 | 6 |  | 2,98 | 7 |  | 2,82 | 7 |  | 2,56 | 7 |  |
| ER-SR | -\* |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Table 5: Means, rank and t-tests for items measuring perception of governance through the board

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| In my role as director I…. |  | 1999 |  | 2004 |  | 2009 |  | 2014 | 1999-2014 |
|  | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig | Mean | Rank | Sig |
| 1 … am personally responsible by collective decisions by the board | SR | 6,52 | 1 |  | 6,42 | 1 |  | 6,47 | 1 | X | 6,46 | 1 |  |
| ER | 6,21 | 1 |  | 6,44 | 1 |  | 6,21 | 1 |  | 5,71 | 1 |  |
| ER-SR | - \* |  |  |  |  |  |  |  |  | - \* |  |  |
| 2 … represent my own opinion on the board rather than that of a group | SR | 6,10 | 2 |  | 6,19 | 2 |  | 6,38 | 2 | - \* | 6,04 | 2 | X |
| ER | 2,87 | 6 |  | 3,10 | 6 |  | 3,24 | 6 |  | 3,30 | 6 |  |
| ER-SR | - \*\*\* |  |  | - \*\*\* |  |  | - \*\*\* |  |  | - \*\*\* |  |  |
| 3 … become a better director if I discuss board issues with people outside the board | SR | 3,15 | 6 |  | 3,40 | 6 | - \*\* | 2,84 | 6 |  | 3,16 | 6 |  |
| ER | 4,40 | 5 |  | 4,46 | 5 |  | 4,00 | 5 |  | 3,65 | 5 |  |
| ER-SR | + \*\*\* |  |  | + \*\*\* |  |  | + \*\*\* |  |  |  |  |  |
| 4 … can affect the activities of the firm | SR | 5,47 | 3 | + \* | 5,72 | 3 |  | 5,78 | 3 |  | 5,72 | 3 | +\* |
| ER | 4,69 | 4 |  | 4,97 | 4 |  | 4,50 | 4 |  | 4,82 | 4 |  |
| ER-SR | - \*\*\* |  |  | - \*\*\* |  |  | - \*\*\* |  |  | - \* |  |  |

Table 6:a Means, rank and t-test for items measuring perceptions of board norms

1. The distinction between ‘public’ and ‘private’ in Swedish corporate law only concerns capital requirements, a form of creditor protection, and the present-day distinction between ‘listed’ and ‘non-listed‘ concerns minority shareholder protection, all under the same umbrella of the AB. [↑](#footnote-ref-1)