



SCHOOL OF  
ECONOMICS AND  
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# Does Previous Experience Matter?

A case study of Swedish board members' perception of experience diversity in decision-making

by

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# Abstract

Decisions taken in the boardroom are considered to be of crucial importance for corporate governance, not least due to their wide-ranging implications for both an organization and its stakeholders. To take effective decisions on the board, the availability of the right skills and knowledge is deemed essential. Such skills and knowledge largely derive from board members previous educational and functional experiences. However, the impact of experience diversity on boardroom decision-making has to date only attracted very few and conflicting findings that are largely based on quantitative research. Following the calls of various scholars for more qualitative research to uncover the inner workings of the board, the purpose of this thesis is to explore how members of the board of directors perceive experience diversity in the context of boardroom decision-making.

In the scope of a multiple case study of five different boards, in-depth semi-structured interviews were conducted with directors of these boards. The findings of this thesis suggest that, on the one hand, the desirability of experience diversity in the board is contingent upon organizational objectives and, on the other hand, provides a board with additional resources that can impact board interactions. Based on these findings, this thesis proposes that experience diversity in the context of boardroom decision-making can represent both an opportunity and a paradox depending on board dynamics and how its implications are made use of. Overall, this thesis argues that whether experience diversity leads to more effective boardroom decision-making and eventually firm performance, is subject to a more nuanced assessment of the proposed factors and hence represents an interesting opportunity for future research.

**Keywords:** Board of Directors, Board Composition, Board Dynamics, Boardroom Decision-making, Experience Diversity

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# 1. Introduction

Multiple corporate scandals such as the case of Enron have led to severe financial and social consequences, which can be traced back to a succession of poor decisions taken by the board of directors (Useem, 2003). In the aftermath of these scandals, corporate governance in general and the board of directors in particular have received broad public attention and were subject to reforms and new legislation such as the Sarbanes-Oxley Act in 2002 (Useem, 2006). These changes were, however, mainly of structural nature and hence largely failed to address board interactions (Useem, 2006), which are closely related to the primary work of boards, namely decision-making (Leblanc & Gillies, 2005; Useem, 2003). Thus, various studies have been conducted to build an understanding of the processes and structures that are believed to improve boardroom decision-making (e.g., Machold & Farquhar, 2013; McNulty, Pettigrew, Jobome & Morris, 2011; Nicholson, Pugliese & Bezemer, 2017). Therethrough, it has been proposed that board dynamics is a strong indicator of board effectiveness (Conger, Lawler & Finegold, 2001; Forbes & Milliken, 1999; Pye & Pettigrew, 2005; Shen, 2005; Sherwin, 2003) and thus of a board's ability to take efficacious decisions. To have an effective board, it is essential to have a high level of specialized skills and knowledge in the boardroom, which derive mainly from directors' previous experiences (Forbes & Milliken, 1999, Sherwin, 2003). Surprisingly, however, the impact of diverse experience backgrounds in the board on boardroom decision-making has only attracted very few and conflicting findings so far and therefore remains largely unanswered. Consequently, developing a better understanding of experience diversity in the context of boardroom decision-making can potentially contribute to a board's ability to conduct effective decisions and therewith increase firm performance. For this thesis, experience diversity is defined as the mix of educational and functional backgrounds among directors in accordance with Adams, Haan, Terjesen and Van Ees (2015) definition.

Literature in the field of experience diversity commonly refers to board members' backgrounds in the context of how they affect firm performance (Adams et al., 2015; Kang, Cheng & Gray, 2007; Milliken & Martins, 1996). Thus far, scholars have examined educational diversity in two ways, namely by reference to the level (Ararat, Aksu & Cetin, 2015) or subject of education (Hart, 1995; Rose, 2007). It was found that the level of education is unrelated to firm performance (Bell, Villado, Lukasik, Belau & Briggs, 2011; Kim & Lim, 2010), therefore the subject of education will be the focus of this thesis. One stream of literature argues for a positive relationship between educational diversity and different firm outcomes (e.g., Bantel, 1993; Bell

et al., 2011), whereas another stream of literature suggests a negative or no correlation between the proposed variables (e.g., Murray, 1989; Mahadeo, Soobaroyen & Hanuman, 2012; Rose, 2007). On the other hand, functional diversity refers to the mix of backgrounds from different organizational functions, such as marketing or finance (Bell et al., 2011). However, in contrast to the findings on educational diversity, researchers have drawn similar conclusions regarding the desirability of functional diversity within the boardroom. Several scholars have found positive effects of functional diversity among board members, due to an increased access to knowledge (e.g., Bell et al., 2011; Goyal, Kakabadse & Kakabadse, 2019).

### 1.1. Problem Statement

Based on the review of previous studies, it can be argued that there is a need for additional research to address the very few and conflicting findings, and thereby increase the current understanding of the relationship between experience diversity and boardroom decision-making. Conducting such research is deemed especially relevant when considering the potential negative consequences of bad boardroom decision-making, such as in the Enron case. Moreover, an analysis of the literature suggests that most of the existing research examines the impact of experience diversity on firm outcomes in a quantitative way, while often neglecting boardroom dynamics. However, as the proposed relationship has not been widely researched yet, it can be argued that quantitative studies may lack the necessary context and depth. Accordingly, it has been suggested that such surface-level approaches based on input-output models might not be appropriate to study the complex connection between composition variables and firm performance (Bezemer, Nicholson & Pugliese, 2014). Along these lines, various scholars have pointed out that there is a lack of empirical research on boardroom dynamics regarding the perception and behaviour of board members concerning their contribution and role (e.g., Forbes & Milliken, 1999; Leblanc, 2001; Pye & Pettigrew, 2005; Westphal & Bednar, 2005).

Furthermore, researchers have started to open up the black box of directors' behaviour to better understand what happens inside the boardroom by reference to qualitative studies including primary data collection through interviews and observations (Bezemer, Nicholson & Pugliese, 2014). Overall, this stream of literature focuses on the interactions and relationships within the boardroom and their subsequent impact on board functioning (Bezemer, Nicholson & Pugliese, 2014), and hence their decision-making ability. In this regard, different researchers (e.g., Hambrick, Misangyi & Park 2015; Nicholson, Pugliese & Bezemer, 2017) have emphasized

how little is known about individual-level factors such as board members' thought processes, feelings, emotions, and perceptions and how these factors impact board performance. Thus, Bezemer, Nicholson and Pugliese (2018) highlight the importance of in-depth qualitative research on behavioural and psychological processes within the boardroom.

In conclusion, based on an analysis of the existing literature, it can be suggested that there is no comprehensive understanding of the relationship between experience diversity among directors and boardroom decision-making in the corporate governance literature to date. Furthermore, there seems to be a general lack of qualitative studies about the internal processes of the board, such as directors' perceptions about their contribution.

## 1.2. Purpose Statement and Research Question

The purpose of this thesis is to explore experience diversity in the context of boardroom decision-making through a multiple case study of five Swedish boards. More specifically, six board members are being interviewed about their perception of experience diversity, for this thesis defined as the mix of educational and functional backgrounds among directors, in the context of boardroom decision-making. This approach is deemed particularly interesting as it complements the existing literature by shedding light on board members' perception of experience diversity. This qualitative perspective may thus help to illuminate the process by which experience diversity unfolds in the context of decision-making, and therewith contribute to the existing literature about board effectiveness. To explore the proposed research aim, the following research question was formulated:

*How do members of the board of directors perceive experience diversity in boardroom decision-making?*

## 1.3. Contributions of the Thesis

The contribution of this thesis is relevant for both scholars and practitioners of corporate governance. On the one hand, scholars of the respective field, specifically the ones researching the board of directors, can obtain new insights regarding the relationship between experience diversity and boardroom decision-making through the lenses of board members. Moreover, the thesis provides them with an initial starting point from which further research can be conducted. On the other hand, practitioners can also benefit from this thesis as it may increase their

understanding of how experience diversity is perceived in the boardroom. Accordingly, the findings of this research could be used for the selection of new directors or the development of a boardroom environment that optimises decision-making in the context of experience diversity.

Given that the board of directors represents the highest decision authority of an organization paired with the strategic nature of its work (Fama & Jensen, 1983), studying how experience diversity impacts boardroom decision-making is deemed relevant for the field of strategic management.

#### 1.4. Outline of the Thesis

The remaining thesis proceeds as follows: The second chapter presents the literature review in which previous research is reviewed and discussed. This chapter includes several research areas such as the overall role of the board and its directors, experience diversity in terms of educational and functional backgrounds, followed by the board and its directors as decision-makers. The chapter concludes with a preliminary framework that synthesizes the insights of the literature review with respect to the research question. Chapter three refers to the means in which the research is performed. In this part, the chosen method is presented, motivated and reflected upon in terms of validity, reliability, and ethical considerations. Chapter four presents the empirical findings that emerged through the data analysis. This part consists of a short case description, followed by exhibiting the findings in a structure based on aggregated dimensions from the coding process. The findings are thereafter visualized in an empirical framework that builds on the preliminary framework. Chapter five discusses the empirical framework, followed by a discussion of the salient findings from this research in relation to the previously presented literature review. Subsequently, chapter six concludes the thesis and discusses theoretical and practical implications as well as limitations and suggestions for future research.

## 2. Literature Review

This section is concerned with reviewing, discussing, and summarizing the existing literature about the proposed topic. Accordingly, the purpose of this literature review can be considered two-fold. First, providing an overview of previous research regarding the proposed concepts allows the literature review to integrate what other commentators have said and done about the research field (Creswell & Creswell, 2018). Second, summarizing and synthesizing the existing literature enables this research to be placed within the context of an ongoing dialogue in the literature (Marshall & Rossman, 2016), consequently building the theoretical background for arguing the relevancy of this thesis.

To develop the literature review, the narrative review method was used. According to Bell, Bryman and Harley (2019), this method is often used for inductive research as it allows for a more wide-ranging scope and greater flexibility than the systematic review method. Maintaining a certain degree of adaptability when introducing theoretical and conceptual terms enables qualitative researchers to adapt their view on theory based on their empirical findings (Bell, Bryman & Harley, 2019). Hence, this was deemed appropriate to develop an initial theoretical understanding of the research topic. Although the narrative review method was chosen, the literature review was nevertheless conducted systematically to ensure a thorough review of the existing literature. In line with the recommendations by Creswell and Creswell (2018), the literature review was conducted in the following steps. First, keywords associated with the research question were identified and subsequently used to locate relevant research papers to address the research purpose. To gain a holistic overview of the published research on the topic, systematic review papers were used for the initial screening of the existing literature. Second, these articles were reviewed regarding their relevance to the topic at hand as well as their significance in terms of scholarly citations they have received so far. Given that widely cited papers usually have been published some time ago, newer contributions were actively collected to complement the literature review with contemporary research. Third, the identified studies were visualized in a literature map, thereby enabling the positioning of this thesis within the existing research in the field. Ultimately, the identified literature was summarized, critically discussed, and structured thematically. The purpose of conducting the narrative review method in a very systematic manner was to minimize some of the limitations of the approach such as the biases associated with the subjective selection of research papers discussed by Bell, Bryman and Harley (2019). These limitations were further minimized by

including systematic review papers, as previously indicated. Hence, the chosen method was considered an appropriate trade-off between the thoroughness of a systematic review and the flexibility of the narrative review method.

The narrative approach of gathering literature resulted in three main themes, namely the board of directors, experience diversity in the board, and decision-making within the boardroom. First, providing a short overview about the board's purpose, its main functions, activities and directors sets the context for the subsequent discussions about experience diversity in boards and boardroom decision-making. Second, elucidating the existing literature on experience diversity within the boardroom is considered significant to provide a foundation for arguing the research opportunity for this thesis within the larger literature field. Third, reviewing the corporate governance literature regarding boardroom decision-making, while also drawing from other related research fields such as small group dynamics, is deemed crucial to explore the directors' perception of experience diversity during the decision-making process.

## 2.1. The Board of Directors

In the following section, existing literature will be reviewed to provide an understanding of the role of the board, the role of the individual directors, board composition, and board dynamics.

### *2.1.1. Role of the Board*

The board of directors has attracted an array of scholars over the last few decades, however, researchers in the field still have different interpretations of the role of the board (Adams, Hermalin & Weisbach, 2010; Bezemer, Nicholson & Pugliese, 2014; Petrovic, 2008). While some argue that the role of the board is defined as simply being a legal necessity, others suggest that it plays an active role in the overall management and control of the organization (Adams, Hermalin & Weisbach, 2010). The truth in the matter might be somewhere in between, dependent on factors such as the firm, country or corporate governance system (CGS) (Adams, Hermalin & Weisbach, 2010). The CGS, in which a board operates, is an external context sometimes neglected in studies within this research field, according to Petrovic (2008). However, depending on a specific CGS of a country, the overall role of the board differs as well as the relation between the board and management (Tricker, 2019). For the purpose of this thesis, the board of directors refers to a unitary board, which is a system with a single governing body, as it is the structure included in the Swedish CGS (Tricker, 2019).

As mentioned, the view on the role of the board differs, however, its purpose is commonly described as being a formal link between a firm's shareholders and its management (Forbes & Milliken, 1999; Tricker 2019; Petrovic, 2008). Tricker (2019) differentiates the board of directors from the top management team (TMT) by defining the work of the board as governance, while the work of the TMT is described as management. Further, Tricker (2019) clarifies that the interdependence between the board and the TMT differs depending on the CGS. Consistently, Fama and Jensen (1983) define the function of the board as a way to ensure the separation between management and control. Influenced by the agency theory, Fama and Jensen (1983) argue that the process of decision-making should be divided between the board and the TMT to control management's self-interest. The responsibilities of the board should accordingly be to monitor and influence decisions, whereas the TMT should initiate and implement such strategies (Fama & Jensen, 1983; Forbes & Milliken, 1999). In the aftermath of various financial scandals over the past decades, avoiding managers to act in their self-interest has gained increased focus, as it has proven to imply increased risk-taking (Younas, Klein, Trabert & Zwergel, 2019). Therefore, the board of directors is discussed to play an important role in keeping managers from taking such hazardous decisions (Younas et al., 2019).

In addition to Fama and Jensens' (1983) view on the board of directors solely as a control mechanism, Forbes and Milliken (1999) expand that definition to further include service as a board task. Forbes and Milliken (1999) define service as providing advice to the TMT and actively participating in strategy formulation. Following Forbes and Millikens' (1999) view of the board, Tricker (2019) emphasizes four primary board activities. According to Tricker (2019), the work of the board can be described as a dynamic process of the following activities; (1) strategy formulation, (2) policy-making, (3) supervising executives activities, and (3) accountability. These activities are categorized according to a two-dimension matrix depending on a long- or short-term perspective and an internal or external perspective (Tricker, 2019). First, strategy formulation aims to provide organizations with a direction (Tricker, 2019). By working together with the TMT, the board's job is to formulate future strategies for the firm by observing the external environment. Second, policymaking is about ensuring that the long-term visions and strategies of the firm are operationalized (Tricker, 2019). The board, therefore, needs to look internally and formulate policies, procedures, and plans to make that happen. Third, supervising executives' activities, or monitoring, is another internal activity performed by the board. It refers to the task of monitoring management on behalf of the interest of the

shareholders (Forbes & Milliken, 1999). Fourth, accountability refers to the board's task of seeking and providing external shareholders, and other stakeholders, with relevant information (Tricker, 2019). However, most of the work of the board is usually done in committees (Adams, Hermalin & Weisbach, 2010), as the activities of the board often become too much to manage during board meetings (Tricker, 2019). Through committees, boards can delegate responsibilities and activities, meaning that directors can meet separately from the board as a whole and thereby reduce the burden of the board (Tricker, 2019).

Overall, it can be concluded that the board represents a formal link between a firm's shareholder and its management and arguably plays a dual role as a control mechanism and a service provider. Its particular role and function are, however, subject to discussion based on different corporate governance perspectives. The unitary board represents the point of attention for the purpose of this thesis. The following sections will further discuss the role of the directors and the board by reference to its composition and dynamics.

### *2.1.2. Role of the Directors*

In general, all board members have a fiduciary duty to care and trust, meaning that they are expected to act in the best interest of the company and practice reasonable diligence when exercising their power in corporate affairs (Bruner, 2006). Reviewing the role of directors by reference to existing literature, Petrovic (2008) suggests that to effectively conduct their duties, all board members should possess some key qualities. First, they should be strategically aware and have a profound understanding of the organization's business including the context in which it operates (Petrovic, 2008). Second, the directors are supposed to have the appropriate experience, expertise, and related professional reputation required by the company as well as communication and interpersonal skills (Petrovic, 2008). Third, possessing knowledge regarding the other board members' abilities and skills is also required (Petrovic, 2008). The chair of the board, which can be considered the first among equals, has additional roles such as leading board meetings, serving as a link between management and board, and representing the company as the public face (Tricker, 2019). In the aftermath of many corporate scandals, a shift in focus regarding the role and duties of directors towards their legal accountability occurred, which came along with a stream of new legislations over corporate directors (Fuller & Jensen, 2002). Prior to these changes in legislation, directors could protect themselves by ensuring the

firm complied with procedural rules, whereas they can now face greater personal liability (Fuller & Jensen, 2002).

Scholars have highlighted the importance of accurate and timely information for directors to make effective decisions (Forbes & Milliken, 1999; Nicholson & Kiel, 2004). In this regard, Godos-Diez, Cabeza-Garcia, Alonso-Martinez and Fernandez-Gago (2018), suggest that directors engage in advice-seeking, which they describe as the gathering of information and knowledge from internal and external sources to support their decision-making. As outlined by Edlin (2007), these include, on the one hand, internal sources such as the presence of skills and competencies provided by the directors' themselves as well as a company's management and specifically the Chief Executive Officer (CEO) (Edlin, 2007). On the other hand, external sources such as the legislation of an organization's country of origin, best practice principles, and various market forces also provide valuable sources of information and knowledge (Edlin, 2007). Additionally, various committees can serve as a medium of information and knowledge. Hence, it can be argued that board members serve as information filters, gathering both internal and external insights to support the overall effectiveness of the board. However, in the process of gathering information, there are also risks of collecting biased information. Given that directors represent different stakeholders on the board, including employees, investors, and customers (Harris & Helfat, 2007), they might become influenced by the interests of these actors. Additionally, based on a board's composition, the interest of actors including the CEO as an executive director, the chair, and stakeholder representatives can exert influence on the non-executive directors (Adams, Hermalin & Weisbach, 2010). In line with the purpose of this thesis, the directors' knowledge derived from their previous educational and functional experience is the focus of this thesis and will be further discussed in the next section.

To summarize, all directors play an important role as fiduciaries of a corporation. In recent decades, however, the legal aspect of a director's role has attracted broader attention due to the continuous occurrence of corporate scandals. To conduct their work, directors collect information and knowledge from internal and external sources, including their previous experiences. Moreover, directors' might be influenced by the particular stakeholders they represent on the board

### *2.1.2. Board Composition*

The composition of the board is essential for corporate governance (Rose, 2007) and has a substantial impact on board effectiveness (Petrovic, 2008). However, an ideal structure of a board does not exist as it depends on industry, company and regulations (Sherwin, 2003). According to Sherwin (2003), board composition can be explained as visible and structural elements of the board and is therefore usually addressed by regulations. Sherwin (2003) further conceptualized board composition as a combination of (1) board diversity and (2) skills and knowledge. First, board diversity refers to the demographic elements among the board members (Sherwin, 2003). Second, skills and knowledge are explained as the mix of skills and knowledge possessed within the board (Sherwin, 2003). Additionally, other researchers further include independence and size as essential structural elements to achieve board effectiveness (Mahadeo, Soobaroyen & Hanuman, 2012; Petrovic, 2008; Forbes & Milliken, 1999). Moreover, the composition of a board can be regarded as dynamic as it is likely to be adjusted due to factors such as firm performance and changing environmental demands (Boeker & Goodstein, 1991). Such changes, for example, can be provoked by media coverage in response to particular firm actions as suggested by Bednar (2012). In the following paragraphs, the board composition will further be explained and discussed in the context of board effectiveness. These elements include; (1) demographic diversity, (2) skills and knowledge, (3) independence, and (4) size.

Board diversity relates to a combination of attributes, characteristics and expertise among the directors of the board. According to Erhardt, Werbel and Shrader (2003), demographic diversity can be considered observable dimensions such as tenure, age and gender. Tenure is defined by Kagzi and Guha (2018) as the length of time a director is employed. Age diversity refers to the different ages represented on the board (Kagzi & Guha, 2018). Lastly, gender diversity is usually measured by looking at the percentage of women represented on the board of directors (Tricker, 2019). A diverse or heterogeneous group is thereby explained as a group consisting of interpersonal differences alongside one or several of these dimensions (Murray, 1989). Even though a demographically diverse board implies both advantages and disadvantages, one primary purpose of demographic diversity on the board is to have a board that collectively serves the interest of a large set of individuals (Van Der Walt & Ingley, 2003).

Alongside demographic diversity, a high level of specialized skills and knowledge is fundamental for having an effective board (Forbes & Milliken, 1999; Sherwin, 2003). As with all dimensions of board composition, no one-size-fits-all is applicable on what type of specific skills and knowledge a company needs (Sherwin, 2003). However, according to Forbes and Milliken (1999), the most relevant skills and knowledge in the boardroom can be concluded in two dimensions; functional and firm specific. Skills and knowledge from a functional area refer to the traditional units of a business, such as accounting, marketing and law (Forbes & Milliken, 1999). Firm specific skills and knowledge, on the other hand, imply an understanding of the internal processes and operations of a company (Forbes & Milliken, 1999).

In the context of board effectiveness, a stream of research further includes independence as an additional structural element in the composition of the board (Edlin, 2007; Mahadeo, Soobaroyen & Hanuman, 2012; Petrovic, 2008). Independence can be defined as the balance between the proportion of “outsiders” on the board (Rose, 2007), that is the ratio between executive and non-executive directors (Petrovic, 2008). An executive director (ED) is a board member with dual roles as both a director and an executive manager of a company (Tricker, 2019). Non-executive directors (NED) are, on the other hand, directors who are not employed at a company (Edlin, 2007). The proportion of EDs and NEDs depends on the board structure of the firm. In unitary boards, with a single governing body, the board of directors can vary from solely EDs to a majority of NEDs (Tricker, 2019). However, the opinion of researchers on the topic is scattered, where some researchers argue that the presence of NEDs on the board is positively associated with firm performance, others argue the opposite (Edlin, 2007; Petrovic, 2008). Derived from agency theory, concerns about the potential closeness of NEDs and EDs have led to reforms that prescribe boards to also employ independent non-executive directors (INED), according to Roberts, McNulty and Stiles (2005). INEDs must not have any affiliations or other relationships with the company except their engagement on the board (Tricker, 2019).

Lastly, board size is also an important part of the composition and effectiveness of the board (Forbes & Milliken, 1999). Having a large board implies a benefit as it includes a broader range of skills and knowledge, which might enable the board to view a question from a range of perspectives (Forbes & Milliken, 1999). However, the bigger the board, the harder it becomes to build interpersonal relationships (Forbes & Milliken, 1999) and solve logistics issues such

as scheduling meetings (Sherwin, 2003). The appropriate size of a board depends on the organization but should not exceed 10 to 12 members, according to Sherwin (2003).

In summary, it is proposed that board composition has a large impact on board effectiveness and is thus an essential element for corporate governance. In terms of board effectiveness, composition variables including demographic diversity, skills and knowledge, independence, and size account for important variables. An ideal structure for a board of directors does, however, not exist as it is reliant upon the industry, company, and regulations. Lastly, the composition of the board should not be viewed as a fixed element, but rather as something that changes over time.

### *2.1.3. Board Dynamics*

According to different studies, boardroom dynamics is thought to be a strong indicator of board effectiveness (Conger, Lawler & Finegold, 2001; Forbes & Milliken, 1999; Shen, 2005; Sherwin, 2003). Defining what an effective board is, as well as developing a better understanding of the behaviour that increases the effectiveness of a board, remain some of the most prominent research fields for corporate governance scholars (Conger, Lawler & Finegold, 2001; Nicholson & Kiel, 2004; Schmidt & Brauer, 2006). In general, studies concerning board dynamics emphasize the significance of cognitive and behavioural aspects to increase the understanding of how boards conduct their duties in addition to structural elements (Van Ees, Huse & Gabrielsson, 2009). In this section, literature regarding boardroom dynamics will first be introduced, and subsequently power, as a variable of board dynamics, will be discussed.

Sherwin (2003) argues that boards face “mechanical issues” related to the board composition. Due to the visibility for actors outside the board, these issues are often addressed with regulations. Simultaneously, boards are also confronted with “organic issues”, including trust, communication, and teamwork that relate to interactions within the boardroom. These issues are therefore difficult to regulate as they are not easily detectable from the outside (Sherwin, 2003). Along these lines, Forbes and Milliken (1999) argue that since a board is not involved in the implementation process, its produced output can be described as exclusively cognitive. Building on this, Hendry, Kiel and Nicholson (2010) state that studies concerned with board dynamics mainly focus on interactions within the boardroom. It is further suggested that a well-functioning social system makes a board effective (Sherwin, 2003). In this regard, Conger, Lawler and Finegold (2001) state that a board can only truly add value to the firm if its members

work well as a team. This will further be discussed in the context of decision-making in a later section.

In research, power is seen as a variable affecting the interaction and dynamics in the boardroom (Bailey & Peck, 2013; Pettigrew & McNulty, 1998). A board of directors consists of power asymmetries that change over time and contexts (Pye & Pettigrew, 2005). Just as the dynamics between board members constantly change within boards, they also look different depending on the firms (Pettigrew & McNulty, 1995). Research on power dynamics commonly focuses on the power of the board in relation to the power of the TMT (Adams, Hermalin & Weisbach, 2010; Bailey & Peck, 2013; Bezemer, Nicholson & Pugliese, 2014). Finkelstein and Mooney (2003) argue that it is during board meetings that most of the work of the board is achieved, but it is also the place where directors can exercise their power (Bezemer, Nicholson & Pugliese, 2018). Even if board meetings seem uniform, due to norms and guidelines (Bezemer, Nicholson & Pugliese, 2014), what really goes on in boardrooms is still a relatively exclusive scene (Pye & Pettigrew, 2005). Additional research further focuses on internal dynamics in the boardroom and different power sources among all board members (Bailey & Peck, 2013; Pettigrew & McNulty, 1995). There are different power sources that impact the dynamics in the board such as ownership, prestige and experience (Bailey & Peck, 2013). Pettigrew and McNulty (1995) argue for relevant experience and expertise as two of the most important sources to generate power. Additionally, experience and information from internal and external relationships and networks are fundamental in gaining power (Pettigrew & McNulty, 1995).

Overall, it is proposed that board dynamics is a strong indicator of board effectiveness. Studies about board dynamics typically highlight the importance of cognitive and behavioural aspects such as interactions within the boardroom. Power is one aspect that can influence dynamics within the boardroom and is hence discussed in the proposed context. Research on power dynamics focuses both on the power of the board in relation to the TMT and the individual power differences within the board. Moreover, there are different power sources, of which relevant experience and expertise are argued to be one of the most significant ones in the boardroom.

## 2.2. Experience Diversity

In research on board diversity, experience is commonly referred to as a non-observable variable (Erhardt, Werbel & Shrader, 2003; Milliken & Martins, 1996; Pelled, 1996). These variables

are less visible attributes, such as education, technical abilities, functional backgrounds or personalities (Kang, Cheng & Gray, 2007; Milliken & Martins, 1996). Further, experience related variables of board diversity can be named task-related diversity (Adams et al., 2015; Bell et al., 2011; Forbes & Milliken, 1999; Pelled, 1996).

Research in the field of task-related diversity commonly refers to board members' backgrounds in the context of how they affect firm performance (Adams et al., 2015; Kang, Cheng & Gray, 2007; Milliken & Martins, 1996). However, the results of such studies are mixed. While some argue that experience diversity will lead to a greater knowledge base and therefore imply a competitive advantage (Erhardt, Werbel & Shrader, 2003; Oehmichen, Heyden, Georgakakis & Volberda, 2017), others argue that experience diversity has a negative or no impact on performance (Murray, 1989; Rose, 2007). Milliken and Martins (1996) further explain this as a contradiction of experience diversity. On the one hand, diverse backgrounds imply a greater variety of knowledge and perspectives in decision-making among the board members. According to Mahadeo, Soobaroyen and Hanuman (2012), it is an important trait in a board to grasp all dimensions of business decisions. On the other hand, these different backgrounds and skills might also imply conflicts and communication problems to a higher extent than in a homogeneous group (Milliken & Martin, 1996). According to Oehmichen et al. (2017), these conflicts will constraint the potential benefits from having dispersed knowledge within the boardroom. In this thesis, the focus will be on two categories of experience in accordance with Adams' et al. (2015) view of task-related diversity; educational and functional background.

### *2.2.1. Educational Diversity*

Thus far, scholars have examined educational diversity in two ways, namely by reference to the level (Ararat, Aksu & Cetin, 2015; Bell et al., 2011) or subject of education (Mahadeo, Soobaroyen & Hanuman, 2012; Rose, 2007). The level of education refers to the team members highest educational achievement (Bell et al., 2011), which is generally high in a board of directors. However, educational diversity in this thesis refers to the subject of education, as the level of education does not seem to show a correlation with firm performance, according to previous findings (e.g., Bell et al., 2011; Kim & Lim, 2010). Diversity in the subject of education is defined as the spread in educational backgrounds among board members, in other words, differences in educational degrees (Mahadeo, Soobaroyen & Hanuman, 2012).

The research on educational diversity has shown mixed results in terms of the subject of education. In a meta-analysis with a data set based on 92 sources such as academic journals, Bell et al. (2011) found that educational background is positively related to both creativity and performance. According to the study, the reason behind these results is that educational differences indicate what type of information and perspectives are available in the board, which assists task completion. On the contrary, in a study by Rose (2007), based on data of all Danish firms listed during 1998–2001, board members' subjects of education did not impact the performance of the board. Rose (2007) explains this result by arguing that having sufficient human capital to process information is most important for board members to conduct their responsibilities. Such human capital helps to process information and may be gained from a substantial experience of a business life; therefore a specific educational background is of less importance (Rose, 2007). Similarly, by analysing 403 directors of 42 listed companies, Mahadeo, Soobaroyen and Hanuman (2012) also found that a higher diversity of educational background negatively impacts firm performance. However, their result is related to short-term performance and explained by reference to educational diversity impinging on board effectiveness and group cohesion. Contrariwise, in the long-term, Mahadeo, Soobaroyen and Hanuman (2012) argue that educational diversity instead could be an advantage when boards are faced with changes and new challenges.

### *2.2.2. Functional Diversity*

Functional background is defined by Bell et al. (2011) as the work history across different functions within an organization such as marketing, finance or research and development. Accordingly, functional diversity is defined as the distribution of different functional backgrounds among the board members (Bell et al., 2011). Milliken and Martins (1996) discuss how functional diverse boards might imply broader external networks and therethrough enable greater access to knowledge. Similarly, Goyal, Kakabadse and Kakabadse (2019) prove such an argument in a qualitative study of 42 directors. They found that functional diversity in a board affects the effectiveness of a board. The results are explained by reference to functional diversity enabling a broader set of skills and improved access to networks and resources. In addition, Goyal, Kakabadse and Kakabadse (2019) argue that functional diversity might be seen by investors as a sign of better corporate governance and consequently leads to companies receiving higher investments. Moreover, the aforementioned study by Bell et al. (2011) also showed that teams with a broad range of perspectives and knowledge drawn from different

functions outperform homogeneous teams. Bell et al. (2011) motivate the results in the same way as for the positive result of diverse educational backgrounds, namely that such diversity is beneficial for task completion. However, similar to research on educational background, studies have also found contradictory results regarding the impact of functional experience (Kim & Lim, 2010).

To summarize, this thesis defines experience diversity as the mix of different educational and functional backgrounds among board members. Previous research has produced conflicting findings regarding the desirability of experience diversity within the boardroom in terms of firm performance.

### 2.3. Boardroom Decision-Making

Decision-making is a central part of the board of director's work (Leblanc & Gillies, 2005; Useem, 2003). Given the large consensus among scholars regarding the significance of effective boardroom decision-making for good corporate governance (Forbes & Milliken, 1999), various studies have been conducted to build an understanding of the processes and structures that are believed to improve board decision-making (Machold & Farquhar, 2013; McNulty et al., 2011; Nicholson, Pugliese & Bezemer, 2017). Along these lines, it is suggested that board members' ability to conduct effective decision-making is thought to ensure the development of an efficacious strategy (Bailey & Peck, 2013). Moreover, built on the agency theory, the self-interest of management is said to be best controllable by effective decision-making in the boardroom (Fama & Jensen, 1983). Hence, it can be concluded that better understanding the factors that lead to effective boardroom decision-making is crucial for firm performance. Accordingly, the following paragraphs will discuss the impact of board dynamics, group biases, and the role of the directors on a board's ability to conduct effective decision-making and motivate why these factors were chosen.

Before reviewing the indicated factors, it is deemed important to discuss the complex question of what constitutes a good decision. According to Higgins (2000), this question has often been answered in terms of outcomes. He argues that proponents of this perspective define a decision as good when it is associated with low costs and high benefits and provides value to some end. Another perspective to determine the goodness of a decision comes from a moral position (Higgins, 2000). In the context of the prominent saying "the ends do not justify the means", the moral perspective highlights the importance of the means by which a decision is assessed in

addition to its outcomes (Higgins, 2000). In line with these arguments, Bailey (2012) argues that decisions made in the boardroom are typically not related to issues with only one correct answer. Therefore, it can be argued that whether a decision is considered good depends on who is assessing its outcome assuming that it provides value to some end. As previously indicated, board members represent the interests of different stakeholders (Harris & Helfat, 2007), all of which may have different expectations and interpretations of a good outcome. Similarly, researchers might have different perspectives on what constitutes a good decision depending on their theoretical point of view with regards to different corporate governance theories. In general, members of the board have a fiduciary duty to act in the best interest of the company they serve (Bruner, 2006), consequently one might argue that as long as the decision was in accordance with this duty it can be considered good. In summary, the goodness of a decision can be considered a philosophical question that may not be answered in one single way, due to the complex nature of typical boardroom decisions.

### *2.3.1. Board Dynamics*

According to Bezemer, Nicholson and Pugliese (2014), studies about board dynamics emphasize the interactions within the boardroom related to processes, behaviours, and context to describe the work of a board. Petrovic (2008) argues that the internal context in which the board of directors operates is closely related to board effectiveness and can be achieved by making the board work as a team (Sherwin, 2003). Additionally, the dynamics within the boardroom largely derive from the particular board composition of a firm. In this regard, Petrovic (2008) states that the impact of board composition on board dynamics has attracted broad interest among corporate governance scholars. Moreover, power also influences boardroom dynamics, as previously indicated. The following paragraphs will first discuss the board in terms of a decision-making group. Subsequently, the impact of board composition on boardroom dynamics will be discussed. This will be done by reference to the three board composition variables that were previously identified, namely demographic diversity, skills and knowledge, and independence. Lastly, the influence of power dynamics within the board will be elucidated.

Size has an impact on team dynamics, according to Forbes and Milliken (1999). Due to the size of a board, researchers often refer to literature on small groups when discussing board interactions (Bezemer, Nicholson & Pugliese, 2014; Forbes & Milliken 1999; Petrovic, 2008),

as the social and psychological influences are similar (Petrovic, 2008). Regarding small groups dynamics, Sherwin (2003) identifies that common traits among high-performing teams also can be applicable on the board. First, he argues that a shared commitment to common goals is easy to achieve but nonetheless important. In a board, common goals are often well defined, but it is also fundamental that all members share the same level of commitment (Sherwin, 2003). Second, he emphasizes the importance of directors taking responsibility for achieving the common goals. Third, he proposes that having directors that are dependent on each other, by bringing different skills and experience to the boardroom, is what makes a board effective. Third, he argues that trust and communication are essential to interact as a team. While trust is fundamental to make the board function properly and to encourage all directors to participate, open communication allows for constructive conflicts that might spark new ideas (Sherwin, 2003). Similarly, Petrovic (2008) also emphasizes the importance of openness and trust to achieve board effectiveness and mutual respect as a foundation for creating an environment in the board that allows for constructive dialogues (Petrovic, 2008).

In addition to Sherwin's (2003) perspective of boards as high-performing teams, Forbes and Milliken (1999) view boards as decision-making groups. They discuss three different processes that are proposed to influence whether the board will achieve its full potential; effort norms, cognitive conflicts and use of skills and knowledge (Forbes & Milliken, 1999). First, effort norms are discussed on a group level and refer to the level of effort an individual is expected to contribute when performing tasks. Effort norms are proposed to influence board members' behaviour and therefore contribute to the overall effectiveness of the board (Forbes & Milliken 1999). Second, cognitive conflicts, defined as the presence of task-related disagreements among the directors, usually occur when they face complex decisions (Forbes & Milliken 1999). In this context, a good dynamic in the boardroom can potentially make it possible to leverage disagreements in perspectives (Forbes & Milliken 1999). Third, the use of skills and knowledge is explained as the board's ability to identify skills and knowledge among the board members and use them when carrying out tasks (Forbes & Milliken 1999). In short, achieving the four traits identified by Sherwin (2003) helps the board become a high-performing team. Additionally, the three elements proposed by Forbes and Milliken (1999), may ensure a good dynamic in the boardroom and thereby effective decision-making.

Furthermore, researchers have also suggested that different arrangements of board composition, regarding the demographic characteristics of board members, have an impact on

the relationships within boards and through that on their effectiveness and subsequently on firm performance (Forbes & Milliken, 1999; Hambrick, Li, Xin & Tsui, 2001). Therefore, the demographic variable of board composition will likely influence boardroom dynamics and thereby the board's ability to take effective decisions. Demographic characteristics of individual directors provide them with different perspectives on issues, which has led to discussions regarding the trade-offs between diverse and homogenous boards in terms of boardroom effectiveness (Petrovic, 2008). On the one hand, homogenous boards are often subject to unconscious biases, further discussed in the next section, caused by the group-based nature of their decision-making process (Bezemer, Nicholson & Pugliese, 2018). On the other hand, such homogenous boards are typically positively associated with group cohesiveness (Petrovic, 2008). Contrastingly, boards consisting of members with diverse demographic characteristics tend to have lower group cohesiveness (Petrovic, 2008). However, drawing on the literature of TMTs, it is suggested that diverse groups' broad skills, knowledge, and information base enable them to develop more comprehensive and innovative contributions for decision-making matters (Hambrick et al., 2001). Accordingly, Petrovic (2008) elucidates that due to the discussed trade-offs, a balanced approach to board composition in terms of demographic characteristics is suggested.

To improve its effectiveness, it is also suggested that a board should make use of the different skills and knowledge provided by its members by applying them effectively to its tasks (Forbes & Milliken, 1999). By providing their skill and knowledge, all directors have a crucial role to play within the board (Sherwin, 2003), which is further discussed in the section about directors as decision-makers. However, the precise skill set of directors required by a board might differ, reliant upon the specific necessities of a company (Sherwin, 2003). Cognitively diverse perspectives, skills and knowledge, and abilities usually build the starting point for the quality of strategic decisions (Bantel & Jackson, 1989). It is proposed that for effective boardroom decision-making, board members are required to have cognitive skills to utilize the skills and knowledge of other directors, determine suitable effort norms, and resolve conflicts in a constructive manner (Carpenter & Westphal, 2001). Building on that, Carpenter and Westphal (2001) argue that, among other things, board members' cognitive skills might be directly correlated with board effectiveness. In general, board members are required to respect and collect the expertise of their colleagues, develop upon other directors' contributions, and aim at combining their insights in cooperative and creative ways (Forbes & Milliken, 1999). Overall, it can thus be argued that to achieve effective boardroom decision-making, a balanced

approach that is based on a firm's distinct context is deemed appropriate in terms of required directors' skills and knowledge.

With regards to board independence, most research focuses on the ratio between executive and non-executive directors and uses firm performance as a representation for the effectiveness of a board (Dalton, Daily, Certo & Roengpitya, 2003; Johnson, Daily & Ellstrand, 1996). Based on two different corporate governance perspectives, specifically agency and stewardship, commentators are debating, however, about the correct ratio between EDs and NEDs in the boardroom (Sundaramurthy & Lewis, 2003). Based on agency theory, it is suggested that a higher proportion of NEDs is desirable as this composition allows a board to better conduct its control role and hence protect the interests of the firm's shareholders (Johnson, Daily & Ellstrand, 1996; Sundaramurthy & Lewis, 2003). However, from the stewardship perspective, it is argued that a higher proportion of EDs is advantageous due to their strategic knowledge and their operational expertise of the business (Carpenter & Westphal, 2001; Forbes & Milliken, 1999). Hence, a benefit of EDs is their inherent knowledge about the firm and their access to information (Petrovic, 2008), whereas a benefit of NEDs is that they bring objectivity to decision-making (Edlin, 2007) and an external perspective to the company (Petrovic, 2008). However, it is argued that board composition in terms of independence might not be the best representation of board effectiveness. This is caused by the conflicting evidence between the two factors (Schmidt & Brauer, 2006) and the negligence of individual and group level outputs when using firm performance as a representation of board effectiveness (Nicholson & Kiel, 2004). Nevertheless, in summary, it can be proposed that a board composed of a higher proportion of NEDs can be more objective in its decision-making but may lack some necessary firm specific expertise, whereas the opposite holds true for a board dominated by executives.

Lastly, power also impacts decision-making in the boardroom (Bailey & Peck, 2013). By observing boardroom meetings at two companies, Bezemer, Nicholson and Pugliese (2014) verified directors' expertise as a source of power as it was shown to have a significant impact on directors' participation in discussions during board meetings. However, Finkelstein and Mooney (2003) emphasize the importance of not overvaluing the expertise of some board members at the expense of others, as this might result in valuable contributions being lost. According to Bailey and Peck (2013), such outcomes might be avoided by creating a board with balanced power relationships. They argue that respect in the boardroom as well as trust between board members and the CEO are significant in creating such a balance (Bailey & Peck

2013). Additionally, balanced power relationships can also be seen as a key factor that drives boardroom decision-making (Bailey & Peck, 2013).

To summarize, boardroom dynamics in the context of boardroom decision-making has been studied by reference to literature concerned with small group dynamics and boards as decision-makers. Moreover, it is said that board composition - through demographic diversity, skills and knowledge, and independence - influence boardroom dynamics and therethrough boardroom decision-making. Lastly, additional research suggests that a balanced power relationship in the boardroom can help to both avoid negative outcomes of power differences and improve the decisions made during board meetings. In the next section, board dynamics will be further discussed by considering the influence of group biases.

### *2.3.2. Group Biases*

As previously discussed, a big part of the work for a board is about making decisions. However, when making decisions in a team, biases and other fallacies might come to affect such processes and potentially result in bad decisions (Sunstein & Hastie, 2014). Sunstein and Hastie (2014) argue that there are two main reasons why biases occur, and decisions go wrong, namely informational signals and reputational pressure. First, informational signals refer to signals that people give to each other in a group and learn from. Thus, if receiving incorrect signals from other members problems might occur (Sunstein & Hastie, 2014). Second, the problem of reputational pressure occurs when members of a group choose to stay silent or change their opinion to avoid conflict or disapproval by others (Sunstein & Hastie, 2014). The results of these two problems are different biases that might occur and negatively affect decision-making (Sunstein & Hastie, 2014).

Due to the group-dynamic nature of decision-making, boards are prone to biases that can reduce the quality of their decisions, including biases such as group polarization, groupthink and pluralistic ignorance (Bezemer, Nicholson & Pugliese, 2018). Group polarization, mentioned in the literature of boardroom decision making (Isenberg, 1986; Zhu, 2013), occurs when a given tendency of an individual is enhanced through group decisions (Isenberg, 1986). Zhu (2013) exemplifies this in the context of risk-taking by explaining that a group consisting of members that are inclined to take risks by themselves, take even higher levels of risks as a collective (Zhu, 2013). In Zhu's (2013) study of 541 boardroom decisions in 199 firms, results suggest that demographically homogeneous boards show reduced group polarization.

Groupthink is another bias, commonly mentioned in the context of boards, and can be defined as the tendency for group members to seek consensus during deliberations to avoid undesired consequences of their actions (Janis, 1972). This in-group pressure can be reduced by encouraging board members to raise their voice and embrace critical and conflicting opinions (Mellahi, 2005). By taking such measures, Mellahi (2005) argues that boards become more resilient toward changes and unexpected outcomes. Petrovic (2008) argues that groupthink is more prominent in homogenous boards as the high level of social coherence enhances the bias. On the contrary, heterogeneous boards with high diversity and several perspectives reduce groupthink (Kakabadse & Myers, 1996).

Lastly, pluralistic ignorance occurs when group members accept norms, practises or policies, even though they reject or have concerns because no other members expressed their concerns (Petrovic, 2008). According to Westphal and Bednar (2005), the pluralistic ignorance bias is amplified by the absence of communication. Westphal and Bednar (2005) discuss that expressing a minority opinion implies a risk of losing social status in a group, a risk that becomes more prominent and negatively considered in smaller groups. Further, Westphal and Bednar (2005), in their study of 603 directors from 174 companies, found that homogeneous boards with strong friendship ties could reduce pluralistic ignorance by encouraging NEDs to express their concerns about strategy.

In summary, it is suggested that boardroom decision-making can be negatively affected by biases and other fallacies derived from informational signals and reputational pressure. Some of the biases discussed in the literature on the board of directors include group polarization, groupthink, and pluralistic ignorance. In the following section, the role of the director in the context of boardroom decision-making will be discussed.

### *2.3.3. Directors as Decision-Makers*

Apart from group behaviour, board dynamics are largely dependent on individual directors, hence the literature emphasizes the significance of their role to achieve board effectiveness (Petrovic, 2008). According to Demb and Neubauer (1992), directors need a certain degree of independence to overcome issues of groupthink by, for example, challenging colleagues with critical questions. Also, as previously indicated, each board member has a different set of experiences, skills, and knowledge that aim to help the board achieve its goals (Sherwin, 2003).

Therefore, it is essential for board members to take responsibility and use their skills and knowledge to apply them in their work as directors (Forbes & Milliken 1999). Moreover, in addition to specific competencies of board members, their contributions and thus the effectiveness of the group is also influenced by the personalities of the directors (Petrovic, 2008). Furthermore, it is suggested that the impact of directors on the collective output of a board is largely dependent on the influence of their peers (Stewart, Fulmer & Barrick, 2005).

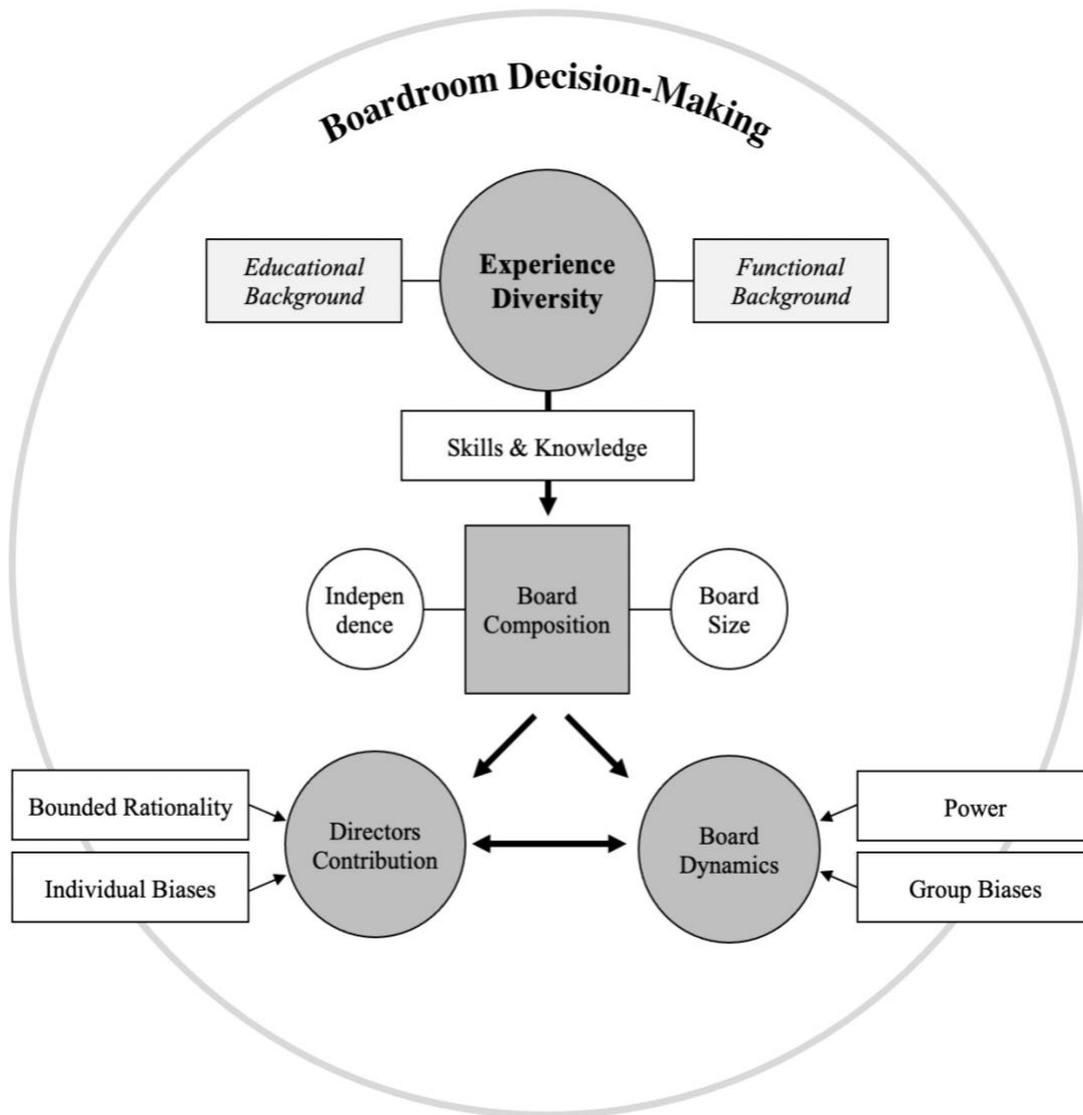
Contributions of individual decision-makers are usually constrained to a certain degree. Built on Simon's (1947) work about bounded rationality, it is proposed that board members are limited in their decision-making abilities due to their inability to collect complete information (Edlin, 2007). Along these lines, Finkelstein and Hambrick (1990) discuss how complex decisions are usually not based on purely rational assessments and complete information, but rather on behavioural factors. They further argue that bounded rationality and subsequent actions or inactions derive from factors such as a decision-maker's values, knowledge, beliefs, and assumptions (Finkelstein & Hambrick, 1990). In addition to a limited amount of rationality, board members may likely be subject to individual biases, in addition to the aforementioned group biases, during the decision-making process. In this respect, Hammond, Keeney and Raiffa (2006) argue that different mental shortcuts, misperceptions and biases can influence a person's choices during the decision-making process. They further state that the more important and complex a given decision is, the more likely a decision-maker is to fall victim to such psychological traps (Hammond, Keeney & Raiffa, 2006). Built on this, it can be suggested that board members are prone to such errors of the mind as their role is inherently related to highly complex issues. According to Hammond, Keeney and Raiffa (2006), the most effective way to avoid errors in judgement caused by cognitive distortions is awareness, it helps decision-makers to detect biases in their thinking before they lead to poor choices.

Overall, board effectiveness is influenced by individual directors and they are, in turn, as argued by Sherwin (2003), dependent on the other members of the board. Accordingly, to better understand boardroom dynamics, it is crucial to develop a profound understanding of the individual directors and the factors that affect their behaviour (McNulty & Pettigrew, 1999). Based on this, it can be concluded that exploring the perception of individual board members during the decision-making process in terms of experience diversity represents a valuable research aim.

## 2.4. Concluding Remarks and Preliminary Framework

The literature review suggests that experience diversity among directors, in the context of boardroom decision-making, impacts board composition and therethrough directors' contribution and board dynamics. The individual contributions of directors and board dynamics are, in turn, interconnected as they affect each other. More specifically, board members' educational and functional backgrounds provide a board with skills and knowledge, which in addition to size and independence account for the board composition elements that build the foundation for boardroom interactions. Subsequently, interactions are shaped by directors' contribution and board dynamics, which can be subject to bounded rationality and individual biases as well as power dynamics and group biases, respectively. Ultimately, it is the interactions among the directors that build the decision-making process in the boardroom. The respective relationship is visualized in a preliminary framework (See Figure 1).

Existing research about experience diversity in the board, as previously mentioned, focuses predominantly on quantitative comparisons of input-output variables, while largely neglecting contextual elements such as boardroom interactions. In addition to that, the number of studies about the topic is limited and the findings they produced contradicting. Hence, by exploring board members' perception of experience diversity in the context of boardroom decision-making, this thesis complements the existing literature by emphasizing the dynamic context of boardroom decision-making in which experience diversity may unfold, based on personal insights from directors. Further, by choosing a multiple case study approach, this thesis provides a different perspective on the topic thereby answering the calls of various corporate governance scholars for more in-depth qualitative studies about the board of directors. Thus, the literature review provides the theoretical foundation for the empirical research this thesis aims to undertake.



*Figure 1 - Preliminary Framework (Developed by researchers)*

### 3. Methodology

The following section is concerned with the methodology chosen to address the research question and the purpose of this thesis. First, the overall research approach and the design of the research is elucidated. Second, the sampling of the case studies, including the selection of cases and interviewees, is stated and motivated. Subsequently, information regarding the collection of data is provided, followed by a discussion about how the data was analysed. Thereafter, the validity and reliability of the proposed methodology is argued. Finally, proposed measures with regards to ethical considerations are explained.

#### 3.1. Research Approach and Design

To explore experience diversity among directors in the context of boardroom decision-making, an inductive research approach was chosen. The reason for selecting this qualitative research method was three-fold. First, the respective approach was deemed appropriate as the proposed literature field has only attracted few and conflicting studies to date. According to Bell, Bryman and Harley (2019), theories are built as an outcome of research when following an inductive approach. Hence, new insights can be created to enrich the limited and conflicting empirical findings regarding experience diversity in the boardroom. Second, the method allows for exploring the phenomenon through the lenses of the individual directors. Doing so enables researchers to study a topic in more depth rather than exploring surface-level appearances (Bell, Bryman & Harley, 2019). Along these lines, Gioia, Corley and Hamilton (2013) argue that conducting inductive research is suitable to capture the experiences of individuals who are encountering a specific phenomenon. Exploring the topic through the lenses of the interviewees provides a new perspective on a topic as insiders might perceive things differently than outsiders may have anticipated (Bell, Bryman & Harley, 2019). Third, the inductive research approach permits an emphasis on the context of the board members in which they perceive experience diversity. According to Bell, Bryman and Harley (2019), it is crucial to appreciate the context in which social behaviour unfolds to build a more comprehensive understanding of the actions undertaken by members of a group. Hence, drawing back to the previously elucidated research gap and the research question, an inductive research approach was considered appropriate to explore boardroom dynamics in terms of experience diversity and decision-making. A deductive approach through a quantitative study would have been an alternative method to research the proposed relationship. However, as mentioned above, the

relationship between the proposed factors appears to be underexplored, thus quantitatively testing it was not considered appropriate.

A case study approach was chosen as a qualitative research design to explore board members' perception of experience diversity in the context of boardroom decision-making. Yin (2003) argues that case studies are commonly used to build a better understanding of complex social situations and recollect meaningful and holistic appearances of real-life events. Furthermore, Eisenhardt and Graebner (2007) state that a case study approach is prone to produce interesting, accurate, and testable theory as it is based on rich empirical data. Also, the respective method is suitable to explore a phenomenon by reference to its real-world and rich context in which it occurs (Eisenhardt & Graebner, 2007), specifically when the boundaries between the two are not clearly apparent (Yin, 2003). As previously indicated, understanding the context is deemed crucial for the chosen research method and the purpose of this thesis.

For this research, both a single case and a multiple case study approach were considered. Due to several reasons, the latter was selected. According to Yin (2003), a multiple case study builds a more solid foundation for theory building than just a single case study. One of the reasons for this derives from the more wide-ranging empirical evidence that can be achieved by multiple case studies (Eisenhardt & Graebner, 2007). It is also suggested that multiple case studies allow researchers to elucidate whether findings are reliably replicated by other cases or only relevant for a single case (Eisenhardt, 1991). As suggested by Yin (2003), this can be achieved due to the availability of extensions, contrasts, and replications enabled through the plurality of cases. A single case study, on the other hand, would not have allowed this increased reliability achieved through a cross-case analysis. As experience diversity may unfold differently depending on board-specific matters, being able to compare the cases for similarities and differences was deemed crucial for this research. Moreover, by constructing testable and measurable theoretical contributions, multiple cases provide a foundation for subsequent deductive studies (Eisenhardt & Graebner, 2007). Overall, multiple cases commonly produce robust theories that are generalizable and testable, according to Eisenhardt and Graebner (2007). However, it needs to be acknowledged that the generalizability of the research is nevertheless limited due to the particular context of the chosen boards and the number of cases. Five case studies were deemed sufficient for the purpose of this thesis. The number of cases was chosen by reference to a trade-off between the generalizability of more cases and the depth of fewer cases based on the scope of this thesis. Overall, choosing a multiple case study

approach aimed to provide a more comprehensive understanding of how experience diversity may unfold in the context of boardroom decision-making.

### 3.2. Case Selection

The case selection for this thesis was based on a theoretical sampling strategy which implied that all cases, that is the board of directors, in the sample were selected due to their importance for this particular research (Eisenhardt & Graebner, 2007). Furthermore, theoretical sampling made it possible to decide on cases depending on the extent they could contribute to answering the research question (Eisenhardt & Graebner, 2007). To determine which cases would be of particular interest for this research, and bear the potential to extend the existing literature, a range of sample criteria was defined. The sample criteria refer to the boards that the directors are members of. A summary of the selected cases can be found at the end of the section (See Table 1). The following paragraphs will outline and motivate the sample criteria for the boards. Subsequently, the selection of interviewees will be described.

The first criterion implied that the boards must govern a Swedish limited liability company (Aktiebolag). This limitation was partly set from a regulatory standpoint, ensuring that all companies are subject to the same legislation, code, and thereby also the same CGS, which includes having a unitary board. This aimed to enhance the comparability between the selected cases. Additionally, due to difficulties associated with getting access to board members, choosing Swedish firms sought to leverage Lund University's reputation when approaching suitable interviewees. Focusing on one specific country also aimed to reduce the influence of cultural differences between the boards as this could influence how experience diversity is perceived in decision-making, which exceeds the scope of this thesis.

The second criterion implied that the boards need to fulfil the recommendations in the Swedish Corporate Governance Code (2015) of having a board size with a minimum of three members and include no more than one ED. The maximum board size was set to ten members in accordance with the recommendations by Sherwin (2003). Furthermore, the boards also had to consist of a majority of directors independent of the company and its executive management following the recommendations outlined in the Swedish Corporate Governance Code (2015). The reason for this criterion was partly due to comparability between the cases, for instance, that all boards were considered small groups due to the subsequent impact on boardroom dynamics. Also, the criterion ensured that all chosen boards are operating as professional

boards. Therefore, focusing on a board with a high ratio of independent directors, aimed to reduce the risk of biased answers.

The third criterion implied that all boards needed to meet the definition of an experienced diverse board on both dimensions, namely educational and functional diversity. This criterion further enabled the comparability among the selected cases. Following Bell's et al. (2011) suggestion, it was decided that the boards must include three or more different educational and functional backgrounds to be considered experience diverse. Selecting experience diverse boards was crucial to explore individual directors' perception of experience diversity in the context of decision-making. However, as the general impact of experience diversity on boardroom decision-making was of interest for this research, the particular industry and company the boards were governing were not deemed relevant.

*Table 1 - Case Sample (Developed by researchers)*

Case	Board Size	Industry	Educational Background	Functional Background
<i>Case A</i>	4 (3 independent)	Insurance	Business, Management, Mechanical Engineering and Law	E.g., Marketing, Sales, Management and Finance
<i>Case B</i>	4 (all independent)	Life Science	Business, Engineering, Medicine and Biochemistry	E.g., R&D, Medicine, Science, Innovation and Entrepreneurship
<i>Case C</i>	7 (all independent)	Aviation	Business, Marketing, Economics and Work Science	E.g., Management, Entrepreneurship and Consulting
<i>Case D</i>	6 (4 independent)	Life Science	Engineering , Analytical Chemistry, Business, Medicine and Medical Science	E.g., Marketing, Product Development, Innovation, Research, Management and Finance
<i>Case E</i>	6 (all independent)	Life Science	Business, economics, Medicine, Pharmaceutical Science, Neuro-oncology	E.g., R&D, Strategy, Business Development, Finance and Management

After selecting the boards of directors, according to the aforementioned selection criteria, suitable interviewees were decided upon. The chosen board members aimed to ensure that the information gained through the interviews was in line with what was needed to answer the research question and make the interviewees comparable. The selection of board members included any directors that are members of a board that fulfils the aforementioned sample criteria. The purpose of this thesis was to explore board members' perception of experience diversity, hence, the selected board members included different perspectives on the board, namely independent NEDs and chairs from different experience backgrounds. However, there are consequences to such a decision. For instance, the chair has a different role in the board

than the remaining board members. However, it can be argued that the chair's perception of experience diversity in boardroom decisions should not be influenced by that. The reason behind interviewing NEDs was partly grounded in the Swedish CGS that consists of boards with a majority or solely of NEDs. The independence of the NEDs also ensured that they were on the board for the right reasons, namely as professionals, and not for other reasons such as being a family member of the owners. NEDs as "outsiders" also implied a broader range of backgrounds, which was of particular interest for this thesis. Lastly, interviewing board members from different backgrounds further built upon the purpose of the thesis, as it enabled capturing different perspectives and therethrough allowed a deepened understanding of the board members perception of experience diversity in decision-making. Furthermore, the sample of this research also included other board diversity attributes such as gender, age, and tenure in addition to experience to ensure that a broad set of perspectives were represented. Moreover, using interviewees with diverse perspectives further limited biases related to the data collection (Eisenhardt & Graebner, 2007). A specific set of skills and knowledge of each director was not of interest for the sampling as the focus of the research was on the effect of different experiences in a board, rather than what those were in particular.

### 3.3. Data Collection

The data collection was performed by conducting six semi-structured interviews at five different companies as well as through secondary desk research. The following paragraphs will first motivate the choice of semi-structured interviews and how they were prepared and conducted. Subsequently, the secondary desk research will be motivated and explained.

Semi-structured interviews were deemed appropriate for the purpose of this thesis for two main reasons. First, according to Bell, Bryman and Harley (2019), conducting this kind of qualitative interviewing allows researchers to collect detailed and rich insights derived from the interviewees' points of view. Along these lines, Gioia, Corley and Hamilton (2013) argue that retrospective recollections of the people involved in the phenomenon under study can be attained in real-time with semi-structured interviews. Moreover, as argued by Bell, Bryman and Harley (2019), semi-structured interviews emphasize the recollection of forms and patterns in behaviour based on individuals' motives, attitudes, and perceptions. This was considered especially relevant as the individual perception of board members was at the focus of this thesis. Second, semi-structured interviews allow for flexibility, as researchers can depart from an

initial guide or schedule to react to unexpected and significant issues introduced by the interviewees (Bell, Bryman & Harley, 2019). Gioia, Corley and Hamilton, (2013) also name flexibility a main benefit of the proposed approach as it allows to adjust the interviews based on new information. The flexibility inherent in semi-structured interviews was deemed crucial for this research as it allowed to leverage unexpected insights from board members, hence leading to a more complete data collection. Overall, conducting interviews in general and semi-structured ones in particular was considered more appropriate than other qualitative data collection methods such as surveys or observations. On the one hand, a survey would lack the necessary data richness and flexibility, whereas observations were out of scope for this thesis due to the difficulties related to gaining access to boardrooms and the limited amount of time and resources.

The interviews were conducted by reference to an interview guide that contained open-ended questions (See Appendix A). The preliminary framework, which was built on the literature review, served as a foundation for the development of the guide. Using an interview guide was deemed appropriate as it provides the necessary structure that allows interviewees' answers to be compared to each other (Bell, Bryman & Harley, 2019), which was especially important since a multiple case study approach was chosen. By doing so, it was possible to achieve a suitable balance between flexibility and structure during the interviews. Moreover, open-ended questions were asked as they, according to Creswell and Creswell (2018), are an important method to encourage interviewees to share their viewpoints and hence to better understand their perception of experience diversity in decision-making. As open-ended questions aim to promote more nuanced answers, nine questions were asked, which is in line with the recommended range of questions suggested by Creswell and Creswell (2018). The open-ended questions were complemented with probes, which intend to prompt more information from interviewees through stimuli introduced by researchers (Bell, Bryman & Harley, 2019). Using probes, however, can also lead to errors such as influencing interviewees to respond in a particular manner potentially causing inter-level inconsistencies as indicated by Bell, Bryman and Harley (2019). To minimize the risk of producing these errors, probes were standardized to ensure consistency among all interviews. Also, the questions were formalized in a way that discourages the promotion of a particular kind of answer.

Prior to the data collection, a pilot interview was conducted to test if the interview guide operated well, following the recommendations by Bell, Bryman and Harley (2019). The pilot

interview was performed with a certified board member from the Swedish Academy of Board Directors, which implied a knowledge about the board of directors and made this candidate a suitable pilot interviewee for this research. The pilot interview made it possible to test both the questions and the structure of the interview guide. For instance, through the pilot interview, it became apparent that the interviewees might have difficulties responding with specific experiences. Accordingly, this learning was addressed by asking interviewees to think about the posed questions by reference to the last boardroom discussion.

To develop an in-depth understanding of board members' perception of experience diversity in the context of boardroom decision-making, a total of six interviews at five different companies were conducted (See Table 2). Altogether, six hours of interviews were conducted. The names of the interviewees and the company they govern were replaced by fictional ones to ensure anonymity. Due to the difficulties associated with getting access to the boardroom, also acknowledged by various corporate governance scholars (e.g., Leblanc & Gillies, 2005; Machold & Farquhar, 2013), combined with the limited time scope of this thesis, solely one to two directors per board were interviewed. Additional interviewees per board would have been beneficial to gain a more complete understanding of the board's context, however, the focus on individual directors allowed for a more in-depth analysis of their perception. Both researchers were present at all interviews, which allowed one researcher to focus on the interviewee by asking questions and the other to adopt an outsider perspective as an observer. According to Gioia, Corley and Hamilton (2013), doing so can minimize the risk of adopting a respondent's point of view without critically questioning it.

In addition to the primary data collection, secondary data was gathered from publicly available sources regarding the board of directors of the companies. The reason for doing this was two-fold. First, more general background information and structural elements of the boards were available online. Thus, retrieving the respective information before the interviews was deemed more efficient as it saved time for both researchers and board members. Furthermore, acquiring this knowledge before the interviews allowed a focus on the more implicit insights of the board members, which is in line with the purpose of this thesis. Also, the secondary data was used for the sampling of the cases and the selection of the particular board members. Second, complementing the primary data collection with information acquired through desk research added validity to the research by contributing to the data triangulation, which will further be discussed in a later section.

*Table 2 - List of Interviewees (Developed by researchers)*

<b>Code name</b>	<b>Case Company</b>	<b>Role in the Board</b>	<b>Educational Background</b>	<b>Functional Background</b>	<b>Date</b>	<b>Duration</b>
<i>Lars</i>	Case A	Chair	Executive MBA	Marketing, Accounting, Sales, Operations, Innovation and Entrepreneurship	5 <sup>th</sup> of may	50 min
<i>Tim</i>	Case B	INED	M.Sc. in Electrical Engineering, PhD in Technology	Research, Innovation and Entrepreneurship	6 <sup>th</sup> of may	60 min
<i>Allan</i>	Case C	Chair	BSc in Business and Economics	Management, Finance and Business Development	6 <sup>th</sup> of may	90 min
<i>Uno</i>	Case D	INED	B.Sc. in Business and Economics	Marketing, Entrepreneurship and Innovation	6 <sup>th</sup> of may	50 min
<i>Anton</i>	Case E	INED	Executive MBA in International Business and Marketing	Management, Strategy, Portfolio Development and Operations	11 <sup>th</sup> of may	60 min
<i>Elisabeth</i>	Case E	INED	B.Sc. in Business and Economics, Executive MBA in Economics	Strategy, Management, Business Development and Finance	11 <sup>th</sup> of may	50 min

### 3.4. Data Analysis

According to Eisenhardt (1989), analysing the data is one of the most important parts of a case study and also one of the most challenging ones. Therefore, carrying out the data analysis in a consistent and structured manner was a key factor in answering the research question of this thesis. The data analysis proceeded with a clear coding procedure. However, before coding the data, the process began with the transcription of the audiotaped interviews and the development of a general understanding of the gathered information.

After transcribing the interviews, the coding process was conducted by reference to an approach based on a first and second-order analysis recommended by Gioia, Corley and Hamilton (2013). The process began with a first-order analysis, which included the collection and labelling of statements that were deemed relevant to answer the proposed research question. The statements were labelled with first-order concepts used by the interviewees and were not analysed at this point. Gioia, Corley and Hamilton (2013) argue that doing so enables researchers to make sense of the raw data more objectively, and thus minimizing the risk of falling victim to the confirmation bias. Accordingly, this first step of coding produced a large number of initial concepts. This initial coding of the interviews was performed simultaneously with the data collection process to reduce the risk of an individual analysis being influenced by the other interviews. Subsequently, after having conducted all interviews and completed the first-order analysis, the coding proceeded to a second-order analysis. The second step included

the identification of differences and similarities among the first-order concepts as well as their subsequent division into themes. In this stage, the focus was put on emerging insights regarding experience diversity and boardroom decision-making that have not yet been elucidated in the existing literature, and hence provide a new understanding of the relationship. According to Gioia, Corley and Hamilton (2013), the second-order analysis ultimately allows the reduction of the first-order concepts into a more manageable number of themes that ideally represents some new way of looking at a phenomenon. Finally, these identified second-order themes were further distilled into three aggregated dimensions. Altogether, the three levels of abstraction, namely the first-order concepts, the second-order themes, and the aggregated dimensions, were then used as a foundation for building a data structure.

Overall, Gioia, Corley and Hamilton's (2013) data analysis method was deemed appropriate as it facilitated the development of emerging concepts through the identification of connections within the data in a systematic manner. An alternative way of approaching the analysis phase would have been to, in line with Eisenhardt's (1989) suggestion, start with a within-case analysis followed by a cross-case analysis. However, as only one of the cases had more than one representative this was argued to be a less suitable alternative.

### 3.5. Validity and Reliability

Validity was an important aspect in this research, especially during the interview process as all interviews must be coherent and performed similarly to avoid interview errors (Bell, Bryman & Harley, 2019). To ensure trustworthiness and accuracy in the findings, a validity strategy consisting of three concrete tools suggested by Creswell and Creswell (2018) was followed. First, data triangulation was incorporated into the research process to ensure validity. Data triangulation is defined as a way of examining different data sources to create justification of a theme (Creswell & Creswell, 2018). Supporting the primary data collection with secondary data from organizational documents was one measure taken to ensure data triangulation. For instance, the backgrounds of the interviewees were confirmed by reviewing organizational publications such as annual reports. Another way to triangulate data was, to the extent it was possible, interviewing several individuals from the same board. Second, exploring conflicting literature was an action taken to ensure internal validity. Doing so, not only reduces the risk of being overconfident in the existing literature, but it also creates an opportunity to see the field of a study through another frame (Eisenhardt, 1989). Moreover, presenting information that, in

some ways, was incompatible with the assumed outcome of this thesis further aimed to make the results of the research more valid and realistic. The third measure that aimed to increase the accuracy and validity of this research was peer debriefings conducted by fellow students and a supervisor during a seminar. In addition to the aforementioned validity strategy, the previously elucidated theoretical sampling strategy ensured that the sampling occurred in an accurate way, which further aimed to increase validity.

In addition to validity, both the internal and external reliability of this research was considered. External reliability refers to the replicability of the research, whereas internal reliability refers to the dynamics in the research team (Bell, Bryman & Harley, 2019). External reliability was ensured by consistently proceeding in a structured manner, not at least when transcribing and coding the data. Furthermore, the collection and analysis of the data was documented to enable others to evaluate and better comprehend the research. This included, among other things, that all stages of the coding process were documented and saved individually. The documentation was also important for internal reliability. Internal reliability was also ensured by clear communication, documented meetings, and cross-checking of codes in the research team. For instance, the collection and labelling of statements during the first-order analysis were initially done individually by both researchers, followed by a discussion of the results as a team.

### 3.6. Ethical Considerations

The importance of ethical considerations, especially for qualitative research, is widely acknowledged among scholars (Creswell & Creswell, 2018). The research for this thesis was conducted in line with three ethical principles discussed by Bell, Bryman and Harley (2019) regarding the relationship between researchers and participants of a study; (1) avoidance of harm, (2) informed consent, and (3) privacy. First, harm can be caused to participants of a study in different forms such as harming their current or future career prospects or putting them in a situation of increased stress (Bell, Bryman & Harley, 2019). To avoid causing harm to the participants of this research, it was made clear to all the interviewees that they could always refuse to answer a question if it was perceived to be too personal or inappropriate in any other way. Second, informed consent entails that interviewees should have full information about the research to be able to make an informed decision about their potential involvement in a study (Bell, Bryman & Harley, 2019). Therefore, all board members that participated in this research received information regarding the aim and scope of the thesis, as well as their expected

contribution when they were first approached by the researchers. Third, privacy is concerned with the protection of personal information of research participants (Bell, Bryman & Harley, 2019). To ensure that the privacy of the interviewees and the boards was protected, the directors' identities and the companies' names were anonymized.

## 4. Empirical Findings

The following section presents the findings that were collected by interviewing six board members of five different companies. The empirical findings build the basis for answering the research question of this thesis, that is how members of the board of directors perceive experience diversity in boardroom decision-making. First, a contextual background including a short description of the studied cases is provided. Subsequently, the empirical findings of the interviews are outlined in a cross-case and thematically structured way. More specifically, the findings are presented by reference to aggregated dimensions, which emerged from the first-order concepts and second-order themes identified during the data analysis process (See Figure 2). To increase the validity of the findings, only first-order concepts mentioned by two or more directors are included in the findings. Outlining the findings based on the conducted data analysis is deemed appropriate as it allows the reader to efficiently make sense of the gathered data. To minimize the risks associated with framing the findings in a particular way, the first-order concepts are presented neutrally and the findings include more statements than what is intended to be used in the discussion. Hence, allowing readers to make their own interpretations of the collected data. In the following section, the aggregated dimensions serve as headings, in which the first-order concepts and second-order themes are presented. Finally, the section concludes with an updated version of the preliminary framework, complemented with the findings from the empirical research of this thesis. The respective framework will build the basis for the subsequent discussion of the findings.

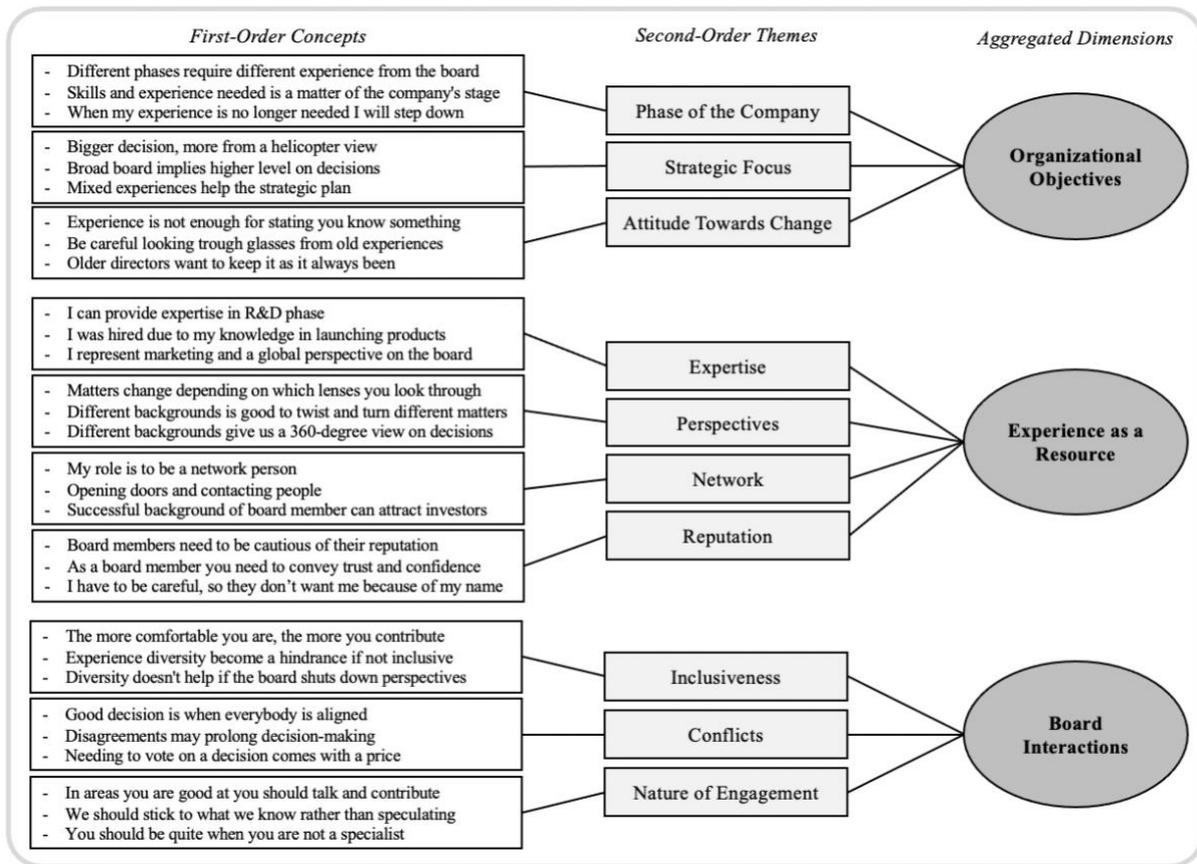


Figure 2 - Data Structure (Developed by researchers)

#### 4.1. Case Description

The following paragraph presents a short description of the companies governed by the board of directors, that are the cases of this study. The purpose of this part is to provide the readers with a contextual background, by describing briefly what industry and phase the companies of the cases operate in. The information is based on findings from the interviews and organizational publications. To ensure the anonymity of the cases, these organizational publications are not referenced.

Case A is currently a mid-sized company within the insurance industry. The company is currently in a rapid growth phase, and according to Lars, the interviewee representing this case, the company is five years old and became the market leader within their field after only two years. Case B operates within the life science industry with medical technology and went public a few years ago. It is a small-sized company and is currently in the phase of becoming more production-oriented, according to the interviewee Tim. Case C is also a mid-size company and

operates within the aviation industry. According to Allan, the board members representing this case, the company is currently in a stage where they have had a rapid drop in business caused by external factors and therefore need to find new ways to do business. Case D is another company within the life science industry that operates within medical technology and is represented by Ola. The company recently went public and is regarded as a small-size company, currently in the stage of clinical testing before launching their product in a later stage. Case E is a third company within the life science industry and works with biotechnology. The company is on the verge of becoming fully commercialized. Its board is represented by the interviewees Elisabeth and Anton. It is a public limited liability company and can be considered mid-size.

## 4.2. Organizational Objectives

The data analysis revealed that the interviewees associated the degree of experience diversity needed in the boardroom with (1) the phase of the company, (2) its strategic focus, and (3) its attitude towards change. Furthermore, several interviewees mentioned that experience diversity among members of the board of directors is a means by which an organization aims to achieve its objectives. The three themes were therefore clustered to the aggregated dimension organizational objectives.

**Phase of the Company** - Four directors, namely Tim, Ola, Anton and Elisabeth indicated that the phase a company is currently in, or the one it wants to transition to, dictates what kind of experiences are needed in the board. For example, Tim stated that *“companies go through different stages in their development and as long as you are in the early stage of R&D ... I may be able to provide [my expertise] but at some point, the company will have that already”*. In the same context, Tim also said that *“being a manufacturer is a completely different ballgame than being a developer and ... that will require completely different competence profiles in decision-making”*. Similarly, Ola reflected that *“each of these phases would require also from the board, a different focus and different experiences”*. Along these lines, he further states that directors should represent the current needs of the company. In this regard, Anton noted that *“I was recruited for some of my passions and backgrounds, which are the transition from R&D to marketing”*. He further added that *“Skills, experiences and capabilities are a function of [the] stage where a company is”*. Lastly, Elisabeth reflected on the relationship between experience diversity and the phase of the company, hypothetically saying that *“now actually,*

*the company is in a different stage than when I entered and now, I do not really have so much to contribute to ... now they need another kind of expertise*". Overall, four out of six interviewees talked about the company's phase in the context of experience diversity.

**Strategic Focus** - Two directors related experience diversity in the boardroom to the strategic focus of an organization. Ola stated that *"in the board, there should be a mix of experiences that help the strategic plan for the coming five years"*. He further said that directors with a professional background on an executive-level allow the board to focus more on the long-term. Also, Lars mentioned that an experience diverse board focuses more on bigger decisions that are on a higher level and that *"the decisions are regarded more from a helicopter [view] than they were before"*.

**Attitude Towards Change** - Anton, Lars, and Allan argued that having a certain experience might not be enough if it is outdated or resistant towards change. Anton's perception of a long industry experience could be explained by him saying that *"do not pretend that you know the answer just because you have worked in the industry for 30 years, that is not enough"*. The statement suggests that Allan believes that experience is not enough to argue you know something. Further, Anton also stated that he thinks it is dangerous if board members look through glasses that represent their experience from 20 or 30 years ago, as it might no longer be relevant. Lars also argued that contrary to a board member with several years of experience, a younger director might bring another perspective to the board. He explained this partly due to them having their education finished more recently, which Lars thinks is a benefit in the boardroom. Further, Allan argued that *"you have to be extremely careful when you listen to experts because experts very often do not bring anything new to the table, they come with a long history of 'things have been done this way'"*. In this context, Allan also argued that if you want to change the rules of the game you need to be forced. He further said that if something has not been done earlier, some directors might argue that it should not be done in the future either.

### 4.3. Experience as a Resource

Based on the data analysis, it was found that the interviewed directors perceive diverse experiences in the boardroom to provide a board with (1) expertise, (2) perspective, (3) network, and (4) reputation. By clustering these four elements they can be regarded as different

resources that experience brings into the boardroom and were hence labelled experience as a resource.

**Expertise** - All directors mentioned that they contributed to the board with expertise that they have acquired through previous experiences. For example, Anton said that *“I am the one representing on the board the marketing, strategic and global perspective”*. He further pointed out that his background provided him with expertise related to a company’s transition from a research and development to a marketing focus. Similarly, Tim indicated that he provides his board with expertise with regards to research and development. Along these lines, Ola said that he was hired due to his good knowledge of how to successfully launch a product in the over-the-counter category. Also, Elisabeth reflected on the expertise she brings to the board by saying that *“I have, I would say experience from both ... Pharma industry as well as Automotive”*. She further mentioned her expertise in finance and accounting from previous experiences.

**Perspective** - Three directors expressed that an experience diverse board leads to more perspective during boardroom discussions. Accordingly, Anton highlighted that matters change depending on through which lenses you look at them. He further specified that *“we tend to argue based on our experiences, our skills, our background and so obviously I look at issues on the table differently than someone who has a background in science”*. Similarly, Elisabeth also implied that people think differently and engage in discussions with different angles and perspectives when they have different backgrounds. Along these lines, she further mentioned that *“I think that the combination [experience diversity] is very good to have because then you twist and turn on different matters”*. She then concluded by saying that experience diversity leads to a 360-degree view on decisions. Lastly, Allan pointed out that through experience diversity *“suddenly ... different things can be sort of important and that is extremely interesting and valuable”*.

**Network** - Three directors noted the relationship between previous experiences and the ability to provide a company with their network. In that regard, Tim mentioned that he is a network person on the board due to his quite strong global network in communities that are relevant for the company. He further emphasized that *“I have a pretty good network for the company and so I have been sort of taking part in opening doors and contacting people”*. Also, Lars pointed out that he is well-connected due to his long history in boards. With regards to experience diversity and network, Elisabeth reflected upon the role of a colleague saying that he *“attracts*

*investors and shareholders, I would say also institutional investors because ... he has a successful background*". Overall, these three directors suggested that previous experiences of board members can equip a company with a broader network.

**Reputation** - Four directors related previous experiences to reputation. For example, Tim implied that *"being a long-timer ... people recognize me for the work"*. Moreover, Ola pointed out that the board reached out to him due to his reputation of successfully launching products on a European and global scale. Also, Elisabeth talked about previous experiences and reputation. However, she pointed out that *"as a board member, I think you need to be ... very cautious of your reputation"*. She further added that board members need to convey trustworthiness and confidence. Related to what Elisabeth indicated, Allan also expressed his concerns related to board work and reputation by saying that *"I know a lot of people ... and I have to be careful, so they don't ask me to be on the board because they need my name"*. Hence, the interviewed board members expressed both positive and negative effects of a reputation gained from previous experiences.

#### 4.4. Board Interactions

The following paragraph will refer to the findings connected to the interviewee's perception of how experience diversity affects the discussions within their board. The first-order concepts that arose during the data analysis of the interviews could be clustered into (1) inclusiveness, (2) conflict, (3) speed of decisions, and (4) nature of engagement, all of which related to interactions in the boardroom.

**Inclusiveness** - In the interview with Anton, he discussed how diversity is not a thing of itself. He said that there are benefits of having an experience diverse board, one of such being that he likes to be around people with different experiences, but that it cannot be regarded as an isolated element. He said, even though boards might look diverse, does not mean that they are diverse. From his experience, he explained that *"we are very diverse, but if the board is very hierarchical and even shuts down different perspectives, it doesn't help you. It is not a diverse board, you know, it is the surface, and it looks good"*. Based on that, Anton argued that the culture in the board and how you engage in discussions and leverage potential diversity is fundamental. Further, he explained that experience diversity in itself can become a hindrance if not being inclusive. Bringing together different perspectives and making sure everyone is heard is, according to Anton, not an easy task. Furthermore, both Elisabeth and Anton indicated

that the chair has a role in including everyone. For instance, Elisabeth stated that *“in the end, I would say that it is very much the role of the chairman to ensure that everyone has had the possibility to contribute”*. Anton further argued that inclusiveness relates to what kind of dynamic the board has, how the board members communicate and trust each other, something that is a matter for the chair. According to Elisabeth’s experience, new board members usually contribute mostly to board discussions that are concerned with the area where they are most comfortable. As members become more comfortable on the board, Elisabeth experienced that they started contributing more to the different areas.

**Conflict** - All board members argued that a good decision is when everyone is aligned. However, Lars acknowledged that whether or not a board agrees on a decision differs between different boards. On the one hand, he has experience from being on a board where no one agreed as everyone wanted different things. On the other hand, he is now on a board, defined in the case selection as diverse, where the teamwork is good, everyone contributes, and so far there have been no disagreements in the decision-making process. Tim has the same experience from his board and explained that they are a rather small board and therefore have a uniform and all agreeing-way forward. He explained it by arguing that *“we have always been sort of in a classical Swedish consensus way, being able to sort of agree on how we move forward”*. Anton’s experience from his board is that they *“try to align around a challenge and come to a relatively natural conclusion”*. However, Elisabeth argued that board members usually think differently when they come from different perspectives. Lars further argued that making decisions that not all members agree upon implies a risk *“if you have a decision where one or two board members disagree with, you will in six months or 12 months have that - I told you so feeling - of the decision”*. Furthermore, Ola said that differences in opinion make decisions harder and Allan also argued that a split board is not fun. He also discussed how disagreements usually lead to voting, something he regards as negative by explaining that *“you are paying a price [of voting] down the road in one way or the other. Either somebody is going to get back or there will be sort of a political trade like; you managed to get this and that, and now we would like to do this”*. Ola further argued that another price of disagreements is prolonged decision-making processes saying *“if we cannot reach an agreement, well, then we have to pass it on to the next booked board meeting”*.

**Nature of Engagement** - All interviewees argued that experience diversity affects how discussions proceed within the board. However, in what way differed among the interviewees.

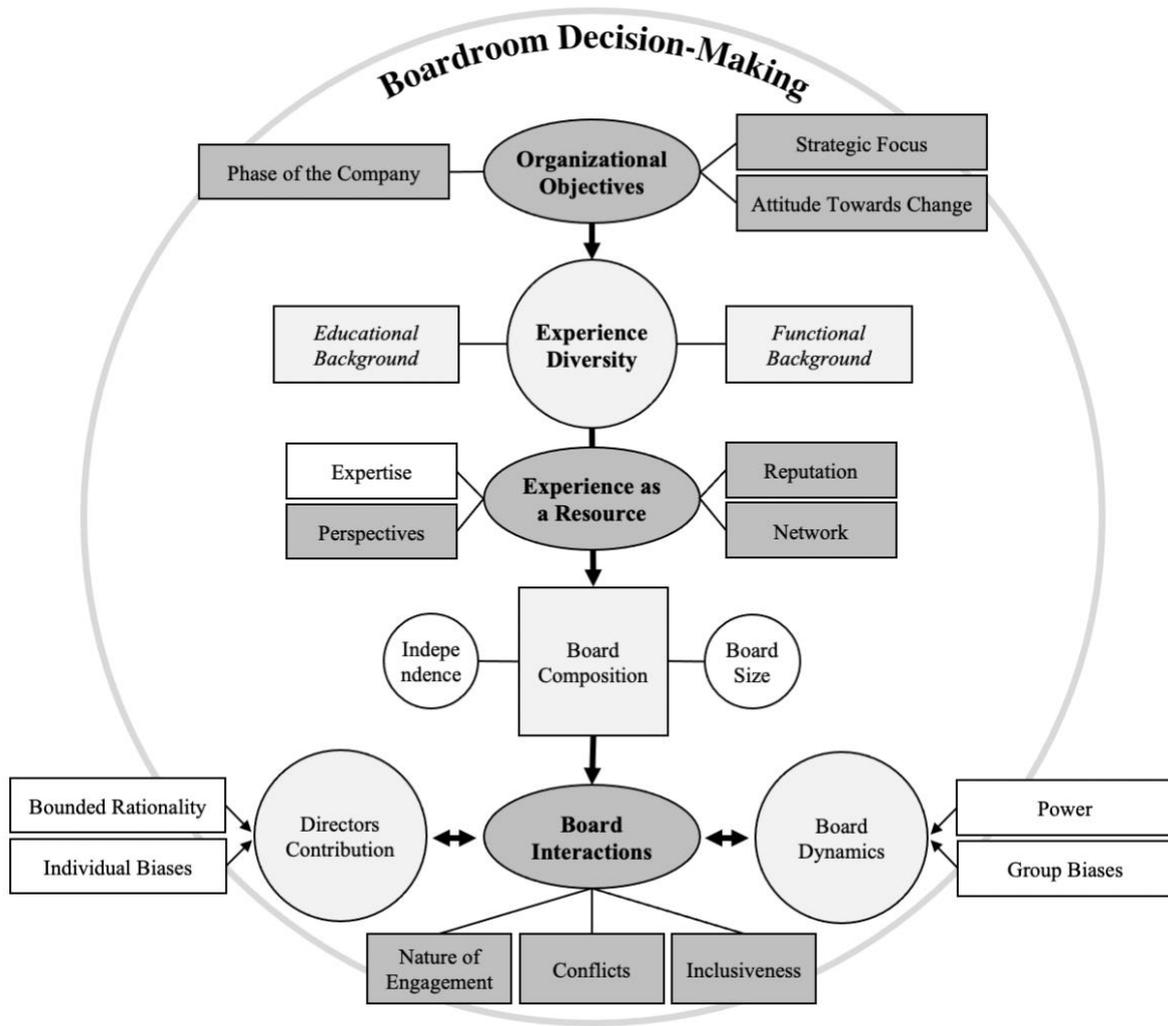
Tim, Ola and Lars stated that board members mostly contribute when it is related to their field of expertise. Tim argued that everyone in his board contributes more or less equally much, but each board member contributes primarily within their expertise. From Ola's experience, it occurs naturally that members contribute to discussions in those fields in which they have more to say. However, he still argued that it *"should be a mix actually because if everybody is yaysayers or naysayers, you do not get anywhere, and the risk of making wrong decisions increases."* Lars described that as the expertise in his board became broader, it made the board more mature and provided it with all needed competences. Further, he explained how that transformation made the board more formal and each board member contributed with their area of expertise. Further, he indicated that *"you should talk, and you should contribute when you are within the areas that you are good at, where you understand the material and so on. And you should be quiet and learn in other areas being discussed where you are not a specialist"*. He also argued that you will learn a lot from listening to others' perspectives on those topics where you do not have the knowledge.

Anton also agreed that the person with the best experience should answer rather than having someone else that starts to speculate. He pointed out that *"ideally you want only one person to give a perspective, but I think that is rare"*. He further indicated that he thinks that *"in a way it is even good that we stick to what we know rather than start speculating about an area where we may have heard something"*. Anton said that decision-making becomes hard when people start expressing what they believe. He argued that "believing" is not something you can discuss, instead board members should provide arguments based on what they know and have information to back those arguments up. In this regard he said that sometimes *"it happens that there is only one person who can provide a perspective, but if it's very factual, I think there is no reason to challenge"*. On the contrary, Anton also proposed that people with less or another experience than what is being discussed might ask better questions, indicating that their *"question may be much more relevant than the one with 30 years [of experience], grey-haired and sitting in his chair and saying, well based on my experience this will never fly"*. Therefore, Anton believes that boards need to be *"careful to not derail the decision based on your narrow perspective"*. Similarly, Elisabeth also argued that in addition to board members having an area of expertise, they should also be very curious or *"at least be aware of what is happening in the environment or in different fields ... to be able to reflect upon this and how or what possible impact would that have for the future of the company"*. In areas where Elisabeth is not an expert, she still believes that she can contribute and ask questions if she notices that some perspectives

are missing. Elisabeth said that “*if there is really one expertise within a certain field, which nobody else has, then you rely quite a lot on that person*”.

#### 4.5. Summary and Updated Framework

In summary, the data analysis revealed three dimensions, namely organizational objectives, experience as a resource, and board interactions that were built on the presented first-order concepts and the second-order themes. As previously mentioned, these empirical findings were integrated into the preliminary framework, creating a new empirical framework (See Figure 3). The empirical findings of this research are highlighted with a grey background, whereas the factors that were taken from the literature review have a white background. Hence, the empirical framework includes both the findings from this research and factors from the preliminary framework that proved to be relevant based on the findings. The empirical framework builds the foundation for the discussion of the findings in the next section and will be explained in more detail at this point.



*Figure 3 - Empirical Framework (Developed by researchers)*

## 5. Discussion

The following section aims to discuss the results of the empirical findings in the context of the existing literature regarding experience diversity in the boardroom. First, the empirical framework will be discussed and motivated to provide an understanding of how the three aggregated dimensions, presented in the findings, complement the previous research on the topic. Subsequently, the significance of the most salient insights of this research will be discussed in a holistic manner focusing on their relevance for the research question and previous research. Accordingly, the findings will be discussed in a cross-dimensional way thereby highlighting their contribution as a whole. Doing so might lead to the negligence of some more specific findings. However, as the purpose of this thesis is to contribute to the general understanding of the relationship between experience diversity and boardroom decision-making, this approach was deemed appropriate.

As previously indicated, the findings of this research resulted in a reassessment of the preliminary framework, which led to the finalized empirical framework presented at the end of the findings section. First, the preliminary framework was complemented with three themes, namely the phase of the company, strategic focus, and attitude towards change, which were summarized as organizational objectives. These themes were added to the preliminary framework above experience diversity. The literature review of this research suggests that researchers typically start looking at the impact of experience in the boardroom by evaluating whether a board is considered experience diverse or not. However, the findings propose that whether or not experience diversity in the board is needed depends on an organization's objectives. Hence, this first addition to the framework can be considered a new way of assessing the desirability of experience diversity in the board, something that has not been discussed in the literature reviewed for this thesis. Second, the preliminary framework was expanded with another four themes, namely expertise, perspectives, network, and reputation that together are referred to as experience as a resource. This addition complements the board composition and was therefore placed above it in the empirical framework. Previous research regards experience diversity as a resource, however, mainly emphasizes skills and knowledge in this regard which in the empirical framework is included as expertise. Hence, the additional resources that were indicated by the directors were added to the framework to account for this broader view, complementing the existing focus. This insight will further be discussed in the following section. Third, the nature of engagement, conflicts, and inclusiveness, which together

were clustered as board interactions, represents the final addition to the preliminary framework. As these factors influence and are influenced by the board dynamics and the individual contributions of directors, they were placed between these two elements. The arrows pointing in both directions visualize this reciprocal interaction. Similar to the identified resources, the factors relating to board interactions elucidate an addition to the existing literature representing the perception of the interviewed directors.

In summary, explaining and visualizing experience diversity in the board by reference to existing literature, complemented with the above discussed three dimensions, can be considered the first overarching insight of this thesis. It provides a new way of looking at both the desirability of experience diversity in the board and a more nuanced way of assessing its potential impact on boardroom decision-making and subsequently on firm performance. As previously indicated, the following two sections will discuss the most salient insights identified from the findings.

### 5.1. Experience Diversity as an Opportunity

The findings suggest that experience diversity can be viewed as an opportunity as it provides a board with additional resources. Having these resources in the boardroom can serve as a means by which a board aims to achieve the organizational objectives through more effective decision-making. However, it is only when such resources are made use of that the opportunity can be turned into an advantage. The following section will further discuss these insights by relating the findings with previous research presented in the literature review.

The first insight derived from the findings can be summarized by saying that experience diversity implies more than solely a broader knowledge base. The findings show several ways in which experience diversity can translate into different resources. In short, the findings showed that board members' previous experiences provide the board with several resources that could be clustered into expertise, perspectives, network and reputation. In this way, it can be argued that the interviewees' perception of experience diversity is that it provides the board with more than experience in terms of functional and educational knowledge. Researchers studying experience diversity, as previously presented, commonly refer to knowledge as the central advantage that comes with a broad set of experiences. For instance, that experience diversity is a competitive advantage as it provides the board with a greater knowledge base (E.g., Erhardt, Werbel & Shrader, 2003; Milliken & Martins, 1996). However, this can be

regarded as a narrow perspective as the findings rather suggest an equal contribution of the different resources that derive from bringing in new experiences into the board. Thus, the findings determine that knowledge was not the sole reason why the interviewees were nominated to their board. The findings show that having an experience diverse board creates an opportunity to also leverage on the board members different perspectives, network and reputation in addition to their expertise. Such findings imply what Goyal, Kakabadse and Kakabadse (2019) discuss as potential reasons behind their results suggesting a positive relationship between functional diversity and board effectiveness, namely an increased access to networks and a positive signal to investors. In summary, it was found that having different experience backgrounds in the boardroom provides the board with several resources, in addition to knowledge, and also the opportunity to benefit from them.

Continuing the discussion into the boardroom, by examining how the mentioned opportunity can come to impact decision-making, led to another insight of this research. If arguing that resources, derived from experience diversity in the board, provide a foundation in which an advantage can be extracted, then a discussion regarding how to extract such an advantage should follow. The findings show that board members perceive experience diversity as an opportunity that can improve boardroom decision-making through the aforementioned resources. However, it is only when that opportunity is leveraged upon that it will come to affect the decision-making in the boardroom. For instance, as mentioned earlier, Petrovic (2008) argues that bringing different skills and experiences to the boardroom is what makes a board effective. The findings of this research support this, however, they also emphasize the importance of an environment that allows these resources to be used. Such findings can be summarized by a statement made by one of the interviewees claiming that experience diversity in the board does not necessarily imply having a diverse board. These findings are thus aligned with Forbes and Milliken (1999) discussion about the importance of using skills and knowledge in a board to achieve its full potential.

Following this, one can argue that to make use of the diversity present in the boardroom, the dynamics in the board is a fundamental element. The findings of this research are closely aligned to what research presented in the literature review indicates, namely that a board can only add value to a company if it works as a team (Conger, Lawler & Finegold, 2001). The findings show that the directors perceive inclusiveness as a fundamental element shaping the dynamics and teamwork in the boardroom, all of which relate to the usage of the

aforementioned resources. Trust and hierarchy were mentioned as two factors impacting inclusiveness. It was found that the environment in the board has an impact on how engaged board members become in discussions. The more comfortable the board members are, the more they contribute. Such findings align with the literature arguing that trust and communication are important factors that encourage directors to participate, and they, in turn, are important to achieve board effectiveness (Sherwin, 2003; Petrovic, 2008). It was further found that having a hierarchical power-structure in the board can hinder directors' participation. The previous discussion in the literature review regarding power dynamics elucidates that experience is an important power source in a boardroom and even has a significant impact on board members' participation (Bezemer, Nicholson & Pugliese, 2014). However, the interviewed directors did not express that power has a great influence on their boards. The majority of the directors argued that each board member contributes equally much to the boardroom decision-making regardless of power differences. Yet, the findings do indicate that the chair has the responsibility to provide all board members with the opportunity to contribute by promoting a board dynamic based on inclusiveness. As indicated in the literature review, Tricker (2019) argues that it is the chair's role to lead board meetings. Based on the findings, it can hence be suggested that emphasizing a board environment that promotes inclusiveness is a part of the chair's role to enable the board to leverage the benefits of experience diversity

## 5.2. The Paradox of Experience Diversity

The analysis of the findings further revealed two major paradoxes associated with the potential benefits of experience diversity in the board. First, it was found that the interviewed directors perceive additional perspectives as a benefit for boardroom decision-making in theory. However, in practice they tend to regard its implications as undesirable. Second, the findings suggest that experience diversity, on the one hand, increases the amount of expertise in the board but, on the other hand, it can lead to a more one-sided contribution by the board members based on their particular field of expertise. Both these identified paradoxes will be discussed in more detail in the following paragraphs.

As previously mentioned, it was found that experience diversity adds perspectives to the board, which is perceived as one of its main benefits and consequently regarded as desirable by the interviewed directors. Yet, the findings also indicate a strong tendency among the interviewees to argue that boardroom decisions are good when there are no disagreements among board

members and when decisions are taken unanimously. Paradoxically, however, different perspectives typically lead to different viewpoints, as indicated by existing literature (e.g., Milliken & Martin, 1996), and therewith also to disagreements among team members. As presented in the literature review, Forbes and Milliken (1999) argue that task-related disagreements can lead to more effective decision-making when the board dynamics allows to leverage different perspectives, especially when there are complex decisions to be taken. Given that boards are usually concerned with complex issues, this can be deemed applicable to their work. Similarly, Sherwin (2003) also points out the benefits of constructive conflicts by arguing that they may spark new ideas. However, the interviewed directors mostly indicated that disagreements are neither desired nor seem to happen often in their boards, as it is perceived to negatively impact the decision-making process by prolonging it. It can therefore be argued that the findings reveal a mismatch between the directors' perception of benefits associated with the additional perspectives gained through experience diversity and their actual usage of it.

The board members' positive attitude and resulting tendency towards agreement could be related to the existence of biases such as groupthink or pluralistic ignorance. According to Janis (1997), members of a group tend to avoid disagreements during discussions to evade the potential negative social consequences that might result from doing so. Hence, this might be one reason explaining this emphasis on agreements, even though the inclination towards groupthink is reduced by having several perspectives on the board as argued by Kakabadse and Myers (1996). Similarly, the existence of pluralistic ignorance, which refers to a risk of losing social status when expressing a minority opinion during discussions (Westphal & Bednar, 2005) might be related to the identified avoidance of disagreements. Especially since this bias becomes more prominent in small groups (Westphal & Bednar, 2005), which the boards of the interviewed directors can be considered. Another potential reason for this mismatch might be related to the context of this research. All interviewees serve on boards of Swedish firms and hence might be influenced by the culture of the country. One interviewee stated that they usually agree on how to move forward in their board and referred to it as the "typical Swedish consensus way". This statement could imply that the desire for consensus derived from the Swedish culture could explain why the findings suggest a strong tendency towards agreement at the cost of constructive disagreements. However, this assumption is based on the statement of one interviewee and would hence need to be researched more comprehensively.

In addition to the first paradox, the findings indicate that board members mostly contribute when a discussion revolves around their particular field of expertise. In other words, depending on the discussion, the board members with a functional or educational background related to the topic at hand are typically the ones that contribute the most. Such a board dynamics is associated with the second paradox regarding experience diversity in the board identified by this research. Most interviewees pointed out that this way of discussing an issue is beneficial and desired in the board as it is perceived as efficient and leads to expert contributions rather than speculations. It could hence be concluded that having a diverse board adds different expert perspectives to the boardroom that allow to efficiently assess an issue at hand. However, there are certain risks associated with having individual experts for each topic. The findings revealed that discussions and therewith decisions are strongly influenced by the individuals that have the most experiences in the field. Hence, having the most experience seems to be equated with being an expert in the findings. However, this perception might be biased as having the most experience of a topic merely implies that one director might have more expertise than the other board members, but not that they are in fact an expert. In addition to that, relying upon the expertise of one individual can be deemed dangerous due to several more reasons, which will be discussed in the next paragraph.

First, given that individual directors commonly represent different stakeholders on the board (Harris & Helfat, 2007), their contributions might be influenced by the interests of these actors. Thus, relying too much on the input of a certain director for a specific topic might lead to a decision that strongly represents a particular stakeholder. Second, the contributions of individuals are limited to a certain extent due to factors such as group biases, individual biases, and bounded rationality. A particular tendency of the individual that has the expertise, and because of it largely drives the discussion, could be enhanced through group decisions. As mentioned in the literature review, Isenberg (1986) refers to such a tendency as the group polarization bias, which can be especially dangerous when an individual tends to take an extreme perspective on issues. Moreover, due to the potential influence of groupthink and pluralistic ignorance, as previously mentioned, other directors might be resistant to challenge the arguments of the alleged expert, hence further increasing the risks associated with relying on one expert. In addition to these group biases, individuals can also be subject to different mental shortcuts, misperceptions and biases during the decision-making process (Hammond, Keeney and Raiffa, 2006). These are argued to be more prominent when a discussion revolves around important and complex decisions (Hammond, Keeney and Raiffa, 2006), which is

usually the case in the boardroom. Also, based on the concept of bounded rationality (Simon, 1947), Finkelstein and Hambrick (1990) discuss that the contributions of individuals are usually not based on completely rational assessments and complete information, which is again amplified in situations where complex decisions need to be taken. Based on this discussion, it can be argued that a potential interplay between group biases and individual limitations represents a hazardous combination for boardroom discussions that rely heavily on the contribution of one individual with the most experience.

Hence, having a broader set of experts in the board derived from experience diversity can be considered a paradox in case it leads to a one-sided engagement by the directors as suggested by the findings. In other words, the additional expertise gained through experience diversity in the board might ultimately lead to a situation where fewer perspectives are integrated into a discussion and subsequently into a decision. The reviewed literature emphasizes the potential negative consequences of such a board dynamic. Although this potential risk of having a broader set of expertise through experience diversity in the board is based on the limited amount of data collected for this research, it still implies an insight worthwhile of further research.

## 6. Conclusion

The purpose of this thesis was to explore experience diversity in the context of boardroom decision-making. To do so, the following research question was formulated:

*How do members of the board of directors perceive experience diversity in boardroom decision-making?*

To answer the research question a multiple case study of five boards was conducted. Based on the previously discussed findings, this thesis argues that the desirability of experience diversity in the board and its potential impact on boardroom decision-making can be determined by reference to three factors. First, this thesis found that one needs to consider an organization's objectives to assess whether experience diversity in the board is needed to achieve these objectives and if so, what kind of experiences are necessary. Second, this thesis suggests that experience diversity can provide a board with additional resources. Third, this thesis found that these resources can impact board interactions and therewith boardroom decision-making.

Derived from these three dimensions, this thesis found two overarching insights that were summarized as experience as an opportunity and the paradox of experience diversity. First, this thesis proposes that experience diversity represents an opportunity for a board that implies more than solely a broader knowledge base, that is expertise, but also additional resources such as perspectives, network, and reputation. However, it appears that these resources can only be translated from an opportunity into an advantage when the board dynamics emphasizes inclusiveness built on trust and open communication. Second, this thesis found that there is a mismatch between the interviewed directors' perception of the benefits associated with a broader set of perspectives gained through experience diversity and their actual usage of them. It seems that the additional perspectives are regarded as beneficial, however, making use of them during board discussions is perceived as negative as it is associated with disagreements and the prolonging of the decision-making process. This thesis argues that this mismatch might be caused by different biases or the context of this research. Moreover, it was found that the broader source of expertise derived from experience diversity can potentially lead to a more one-sided contribution of board members based on their particular field of expertise. Hence, it appears that experience diversity could lead to a situation where board decisions are, in fact, based on fewer perspectives. This thesis further found that such a situation would entail negative consequences based on the potential influence of biases and individual limitations.

Finally, this thesis argues that determining whether experience diversity in the board leads to more effective boardroom decision-making and eventually firm performance, is subject to a more nuanced assessment of the proposed factors.

## 6.1. Theoretical Implications

The theoretical implications derived from this thesis are three-fold. First, this thesis supports the calls of various scholars to study the board of directors with more qualitative research to increase the understanding of how various factors influence board dynamics. The findings of this thesis suggest that the impact of experience diversity depends on an organization's objectives and on the particular board dynamics. Accordingly, researching the topic requires a more nuanced approach than solely studying it by reference to an input-output method. Second, this thesis found that the desirability of experience diversity in the board depends on an organization's objectives. Consequently, this thesis challenges the common approach to assessing the impact of experience diversity in the board by studying its impact on firm performance. This thesis suggests that determining whether a company reached its objectives accounts for a better measure to evaluate the impact of experience diversity. This suggestion is based on the rationale that organizations' objectives might be based on strategic ambitions that are linked to a long-term plan and therefore not immediately reflected by firm performance. Third, by looking through the lenses of different board members, this thesis provides a broader view of how diverse experiences contribute to the board. The findings challenge previous research that typically regard the main benefit of experience diversity in the board as an additional source of knowledge. Instead, this thesis found that this might be a narrow perspective as experience diversity can be seen as a more versatile diversity attribute that also adds perspective, network, and reputation to the board.

## 6.2. Practical Implications

In addition to the theoretical implications, this thesis also indicates several practical implications for board members and the companies they serve. These implications are summarized in three points. First, it was found that existing research often indicates knowledge as the main benefit gained through experience diversity in the board. However, it appears that it also provides a board with additional resources such as perspectives, network, and reputation. Hence, being aware of these additional resources could help board members to reap the full

potential of experience diversity and therewith increase board effectiveness. Second, it was also found that to benefit from the additional perspectives gained through experience diversity, board members and specifically the chair should promote board interactions that are based on inclusiveness. Such a board environment allows directors to share their perspectives, which in turn might lead to better decision-making. However, whether or not the integration of various perspectives during board interactions eventually leads to better decisions, remains to be uncovered. Lastly, this thesis found that experience diversity can lead to board interactions that are strongly influenced by an individual director that is perceived to have the most experience of the topic at hand. Additionally, it was found that disagreements during board interactions are largely regarded as undesirable. As these two insights can potentially have negative consequences for boardroom decision-making, this thesis suggests that directors should actively encourage constructive disagreements during board interactions, especially when the discussed issue strongly relies on the contribution of one individual.

### 6.3. Limitations and Future Research

The research of this thesis is subject to limitations that provide opportunities for future research. These limitations largely derive from the chosen method of this thesis and will be discussed in this section.

For the purpose of this thesis, only boards that were determined as being experience diverse were selected. It can be assumed that doing so influenced the collected data as the directors of such a board might perceive experience diversity differently than the ones of a homogenous board. Future research could hence study if experience diversity is perceived differently by directors depending on whether they serve on a heterogeneous or homogeneous board. Moreover, a case study of five boards from three different industries was conducted to explore the research aim of this thesis. Consequently, this thesis does not account for the potential industry impact on the findings. Therefore, future research could address the influence of the industry on how experience diversity unfolds in the boardroom. Another limitation derives from the fact that independent board members were interviewed. Thus, the findings are limited to their perception about experience diversity in the board, which could have led to a narrow view on the topic. To produce a more comprehensive understanding of the relationship between experience diversity and boardroom decision-making, future research could thus incorporate informants from all parties involved in the boardroom. This could, for example, include the

perception of executive members as well as employee representatives. Finally, the limited number of interviewees represents an additional limitation of this thesis. For the majority of the studied cases, only one director was interviewed. Hence, the findings related to a particular case solely represent the subjective perception of one director and might therefore not be representative for the board as a whole. The reason for the limited number of interviewees is related to the difficulties associated with getting access to board members as well as the limited scope of this thesis. Future research could therefore conduct a more comprehensive study including multiple directors per board to ensure representative findings for each case.

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# Appendix A

<b>Interview Guide</b>	
<i>Context</i>	
<b>1.</b>	Please tell us about your educational background (higher education-level).
<b>2.</b>	Please tell us about your previous work experience. - <i>Probes:</i> What roles and what industry?
<b>3.</b>	Please tell us about your current role as a director on the BoD at Company X. - <i>Probes:</i> What is your focus or main role as a board member? - <i>Probes:</i> What do you feel is your main contribution to the board?
<i>Board composition</i>	
<b>4.</b>	During a boardroom meeting, how do you think the different experience backgrounds are visible? - <i>Probe:</i> How do you think the different backgrounds influence the decision-making? - <i>Probe:</i> How do you think the different backgrounds influence the way arguments are presented?
<i>Directors Contribution</i>	
<b>5.</b>	When you think about the decision-making process on the board, how would you describe the individual contributions of all the participants? - <i>Probe:</i> Would you say that all participants contributed equally to the discussion? If not, what may be the reasons for it?
<i>Board Dynamics</i>	
<b>6.</b>	When you think about the decision-making process in the board in general, how would you describe the teamwork? - <i>Probe:</i> Would you say that there are certain factors that have a strong influence on the course of the discussions?
<b>7.</b>	How would you define a good decision in the boardroom?
<b>8.</b>	Please tell us about factors that you believe facilitate boardroom decision-making. - <i>Follow-up:</i> Can you please exemplify that?
<b>9.</b>	Please tell us about factors that you believe are the main difficulties of making boardroom-decisions. - <i>Follow-up:</i> Can you please exemplify that?