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What *Really* Matters in the Boardroom?

A multi-case study of Swedish board members and their perception of board composition attributes in relation to board effectiveness

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Abstract

- Title:** What Really Matters in the Boardroom? A multi-case study of Swedish board members and their perception of board composition attributes in relation to board effectiveness
- Authors:** Josefine Gunnarsson & Elin Stakeberg
- Supervisor:** Matts Kärreman
- Background:** The composition and lack of diversity on corporate boards has for years been scrutinized. In light of multiple corporate scandals, what it takes to make a board effective has been a hot topic of debate.
- Purpose:** Explore directors' perceptions of why and how board effectiveness is affected by various diversity and composition board attributes.
- Methodology:** A qualitative multi-case study with semi-structured interviews.
- Conclusion:** In addition to having a corporate board consisting of approximately five to six board members, a diverse set of directors is generally appreciated to increase the overall effectiveness of the board.
- Keywords:** Board of Directors, Board Effectiveness, Board Size, Gender Diversity, Multiple Directorships, Independence, Foreign Directors.

Table of Contents

1 Introduction	5
1.1 Background	5
1.2 Problematization	6
1.3 Research Purpose	8
1.3.1 Research Question	8
1.4 Target Group	8
1.5 Delimitations	8
1.6 Disposition	9
2 Literature & Theoretical Review	11
2.1 Prominent Corporate Governance Theories	11
2.1.1 Agency Theory	12
2.1.2 Stewardship Theory	13
2.1.3 Resource Dependence Theory	13
2.2 Board of Directors	14
2.2.1 Role of the Board	14
2.2.2 Board Composition	15
2.3 Board Effectiveness	15
2.3.1 Board Tasks & Processes	17
2.4 Board Diversity & Composition Attributes	18
2.4.1 Board Size	18
2.4.2 Gender Diversity	20
2.4.3 Multiple Directorships	22
2.4.4 Independence of Directors	24
2.4.5 Foreign Directors	26
2.5 The Role of Boardroom Biases	27
2.6 Preliminary Framework	28
3 Methodology	30
3.1 Research Approach	30
3.2 Research Design	31
3.3 Data Collection	32
3.3.1 Pilot Studies	34
3.3.2 Choice of Participants	35
3.4 Data Analysis	36
3.5 Validity & Reliability	37
3.6 Ethical Considerations	40

4 Empirical Findings	41
4.1 Interviewee Descriptions	41
4.2 Definition of Board Effectiveness	42
4.3 Board Attributes	44
4.3.1 Board Size	44
4.3.2 Gender Diversity	45
4.3.3 Multiple Directorships	47
4.3.4 Independence of Directors	51
4.3.5 Foreign Directors	53
4.4 Other Factors Affecting Board Effectiveness	54
5 Analysis & Discussion	57
5.1 Definition of Board Effectiveness	57
5.2 Board Size	58
5.3 Gender Diversity	59
5.4 Multiple Directorships	61
5.5 Independence of Directors	64
5.6 Foreign Directors	66
5.7 Other Factors Affecting Board Effectiveness	67
5.8 Summary & Revised Framework	69
6 Conclusion	72
6.1 Practical Implications	73
6.2 Limitations	74
6.3 Future Research	74
References	76
Appendix A	90

1 Introduction

The following chapter will provide a comprehensive introduction regarding the selected research topic. The reasoning around the problematization and purpose will be clearly presented as well as the overarching research question which will guide subsequent literature review and empirical research.

1.1 Background

The practice of corporate governance is as old as time (Tricker, 2019). While there to date is no unified definition of corporate governance, many scholars point to it being the systems in place by which companies are directed and controlled. For example, Kose and Senbet (1998) explain how “corporate governance deals with mechanisms by which stakeholders of a corporation exercise control over corporate insiders and management such that their interests are protected” (p. 372). In addition, all corporate entities, whether public or private, need a governing body (Tricker, 2019). The need for, and importance of corporate governance primarily stems from the separation of ownership and control and the subsequent agency problems it causes (Kose & Senbet, 1998; Khan, 2011). For the majority of firms, corporate governance is embodied in the board of directors (Tricker, 2019) which one can define as the apex of the organization’s decision control system (Fama & Jensen, 1983).

As the business environment in recent years has become all the more uncertain and complex, greater emphasis has been put on a board’s role in guiding the organization in the right direction. Even more so, multiple corporate scandals, some more notorious than others such as Enron and Worldcom in the early 2000s and Wirecard in 2020, have led to serious economic and social consequences (Useem, 2003; Lund, Darlak, Dabrowski, & O’Donnell, 2021). Useem (2003) goes on to say how a great deal of the failure can be attributed to board malpractice. More specifically, he explains that Enron directors’ failure in protecting the organization was in part a product of who had been meeting in the boardroom. As such, to bring about favorable decisions, a firm first needs to build the right board composition (Useem, 2003). Naturally, in the aftermath of the earlier scandals, the board of directors as a governance function was widely scrutinized.

Eventually, boards became subject to numerous legislative reforms aimed mostly at structural board attributes as well as disclosure and reporting standards. One of the more noteworthy ones following the Enron scandal in the United States was the Sarbanes-Oxley Act in 2002 (Tricker, 2019).

Needless to say, Enron, Worldcom, Wirecard and even the 2008 financial crisis have become potent reminders of the importance of good and effective governance. That has however raised certain questions among business professionals, scholars, and politicians, such as what it takes to make a board effective. (Nordberg & Booth, 2018). Similar to Useem (2003) mentioned, Bøhren and Strøm (2007) argue that board composition greatly influences the board and its effectiveness as a decision-making body. Furthermore, strongly related to the aspect of composition is that of board diversity aspects and its effect on board work. This includes task-related diversity, i.e. educational and functional background, non-task-related diversity such as gender and nationality, as well as structural diversity which includes aspects such as director independence (Adams, de Haan, Terjesen, & van Ees, 2015). Regardless of diversity being a benefit or a cost to the board and its effectiveness, it has been a well-debated topic and a subject of active policy making around the world (Adams et al., 2015). As such, it is vital to understand the role board diversity and composition play in relation to a board of directors being able to effectively carry out their fiduciary duties.

1.2 Problematization

Through a review of previous studies, it is evident how corporate governance, or more specifically the board of directors has been under the microscope within academic research for quite some time. However, an overwhelming majority of published research has employed a quantitative research approach. One well-cited impediment to this is simply that it is difficult to study the board of directors directly (Leblanc & Schwartz, 2007). As such, much research has explored board composition attributes in relation to a variety of other dependent variables. More specifically, previous studies have examined board composition concerning earnings management, corporate risk-taking, corporate social responsibility disclosure, firm value, and many have looked at it in relation to financial performance (Park & Shin, 2004; Younas, Klein,

Trabert, & Zwergel, 2019; Jizi, 2017; Martinez-Jimenez, Hernández-Ortiz, & Fernández, 2020; Campbell & Mínguez-Vera, 2007). In addition, based on an extensive review of literature, five specific board composition attributes stand out as being very popular amongst researchers. These include gender diversity, director independence, multiple directorships, foreign directors, and the board's size. Then again, available evidence, which mostly stems from quantitative studies, has at times produced mixed and unclear conclusions (Nordberg & Booth, 2018; Kose & Senbet, 1998). As such, it has been difficult to reach a consensus in the research community regarding these board composition attributes and their effect on the firm and board effectiveness.

One can argue that the extensive focus on quantitative research has produced relatively surface-level results. Arguably, this opens up the need for qualitative studies to achieve a more in-depth understanding of what directors themselves perceive to be important attributes for board effectiveness. In line with this, Stiles (2002) argues that although research on boards has grown, there is a clear lack of empirical studies in regards to directors' perceptions and thoughts on certain board aspects. Pye and Pettigrew (2005) agree by stating how there is a need for further research that focuses on characteristics in complex board contexts to gain a better understanding of board performance. In addition, through a review of previous studies, it has become clear how the extent of research on board composition attributes in relation to board effectiveness in the Swedish corporate governance landscape is scarce.

To conclude, there appears to be a great lack of qualitative research relating to the inner workings of the board and its composition. Schmidt and Brauer (2006) agree, stating that in both research and public debate, corporate governance structures and their effectiveness have been subject to great scrutiny. Yet, the area of boards' effectiveness has for the most part been left unaddressed (Schmidt & Brauer, 2006). Thus, one could argue that there is limited comprehension among researchers regarding directors' perceptions and thoughts on why the board is structured the way it is and how it relates to a board's effectiveness. This area is deemed overdue for attention. Therefore, a study of qualitative nature will be employed.

1.3 Research Purpose

The purpose of this study is to explore directors' perceptions of how board effectiveness is affected by the composition of the board. Some composition attributes have been shown to have a significant relation to board operations, but it is yet to be explored why and how the characteristics actually affect the governance. Through a multi-case study, the goal is to obtain information not possible to gather from numerical- and secondhand data. By doing this, a contribution will be made to the existing literature that merely focuses on if the different characteristics have an impact rather than why and how they have an impact. The research will be based on the extensive quantitative research that has been conducted and will then act as an extension to generate more in-depth insights and shed some light on what Leblanc and Schwartz (2007) call the boardroom black box.

1.3.1 Research Question

Based on the above problematization and research purpose, the research question that will be explored is: *How do board of directors perceive certain attributes of board composition in relation to board effectiveness?*

1.4 Target Group

The intended audience primarily includes board members themselves as well as Nomination Committees to provide insights into how and why these five board composition attributes affect the success of the board's work. This thesis is also intended for academic researchers within the field of corporate governance with a focus on board of directors and board work.

1.5 Delimitations

In terms of delimitations for the thesis, the authors are aware that there are multiple other board composition attributes that do exist and likely have an influence on the effectiveness of board

work and hence firm performance. However, due to both time- and resource constraints which restrict a more thorough investigation, only five attributes that are commonly referenced in quantitative research will be explored further. In addition, the authors are not seeking to establish attributes of an optimal or ideal board structure, as one can argue that such a thing does not exist in today's complex world. The research will merely seek to investigate individual directors' perceptions regarding the five specific board composition attributes to understand if and why they matter for board effectiveness. Additionally, any comparison between public or private firms, as well as between industries is beyond the scope of this thesis. Lastly, this research is restricted to the Swedish context as qualitative corporate governance research is scarce in this geographical area. This delimitation is also explained by the availability and ease of attracting directors to take part in the study as both authors are of Swedish nationality and can best leverage our professional network in Sweden.

1.6 Disposition

The following thesis consists of six chapters including the introductory chapter. Subsequent chapters are structured as follows:

Literature & Theoretical Review

The literature and theoretical review presents what previous literature and studies have found in relation to corporate governance. More specifically, relevant legislation, board effectiveness, the five distinct board composition attributes, and related theories and concepts will be presented. A framework created by the authors is also presented at the end of the chapter. The intention of this chapter is not only to provide an overview of relevant topics for the subsequent analysis and discussion chapter but also to help situate the research in relation to existing knowledge.

Methodology

Content of the methodology chapter includes the research approach and design. In addition to this, techniques used for data collection and data analysis are presented. Reliability and validity as well as limitations and ethical considerations are also discussed and evaluated more extensively.

Empirical Results

In this chapter results from the interviews are disclosed. In addition to descriptive statistics on the cases and on participating directors, the data collected is presented coherently as it relates to each board composition attribute.

Analysis & Discussion

Here, the empirical findings presented in the previous chapter are analyzed and discussed clearly and logically. The findings are analyzed in relation to previous literature, theory, as well as the overarching research question.

Conclusion

For the concluding chapter, the main findings of the research are summarized and presented. The research question is also revisited and answered concisely. Furthermore, the study's limitations and practical implications are expanded upon as well as the authors' suggestions for future research.

2 Literature & Theoretical Review

In this chapter, a theoretical and literary overview will be presented. The first part consists of corporate governance-related theories to situate the board of directors and their responsibilities in relation to the firm. The second part will focus on literature and previous studies in relation to board effectiveness, especially the five attributes of board composition and diversity. The chapter ends with a preliminary framework developed by the authors.

To establish both familiarity with and an understanding of our chosen research topic, scholarly sources such as books and peer-reviewed journal articles were reviewed. Relevant literature was primarily derived from Lund University's online library platform, LUBsearch, as well as Google Scholar. By using relevant keywords in our searches, such as corporate governance, board effectiveness, firm value, firm performance, all five attributes, and remaining mindful of publication dates, relevant and high-quality literature was found. In parallel with keyword searching, citation tracing was utilized, meaning that references cited in a particular article were explored and reviewed. This choice helped to speed the literature search process along while still ensuring that relevant articles were explored.

2.1 Prominent Corporate Governance Theories

There are a multitude of theories, philosophies, and concepts which relate to corporate governance. One of the most prominent theories that one can argue also elucidates corporate governance is the agency theory. Throughout time, it has been referenced in a multitude of literature spanning multiple areas of research. A contrasting viewpoint on the agency dilemma, known as the stewardship theory will also be presented. In addition to this, the resource dependence theory in relation to the board of directors will be expanded upon.

2.1.1 Agency Theory

One of the most central theories within corporate governance, the agency theory, originates from the notion that control and ownership must be separated and circulates the problems that come with said separation (Jensen & Meckling, 1976). The knowledge of the problems connected to the theory can be traced back as far as Adam Smith's theories in the 18th century and has been widely discussed in modern literature (Fama, 1980; Jensen & Meckling, 1976; Eisenhardt, 1989). Examples of problems related to the separation are costs for monitoring and the establishment of contracts as well as determining when the separation and its associated costs actually are beneficial for the firm (Fama & Jensen, 1983).

Jensen & Meckling (1976) mean that the main problem is rooted in both parties' desire to maximize their own winnings, and Eisenhardt (1989) claims that the principal and agent have very different goals, and therefore seek to act according to their preferences rather than aligning goals. The principal, which is the shareholders, normally seek to maximize the return of their investments while the agent, the executive management, might be opportunistic and act to secure bonuses or other self-serving purposes (Jensen & Meckling, 1976). As the ownership structure of many firms is very spread, the principals can hardly monitor the agent properly and an information asymmetry occurs, enabling the agent to act opportunistically (Jensen & Meckling, 1976). To monitor and prevent this kind of behavior the board is appointed to serve as the aligner between the principal and the agent (Fama & Jensen, 1983). Evaluating the effectiveness of boards is therefore important to have sufficient information to combat the agency problems.

However, the theory has also endured continuous criticism. Perrow (1986) means that while the protagonists of the agency theory believe that an individual will act opportunistically at any given opportunity, this is not the reality. Instead, humans are highly adaptive and display a lack of instinctual responses to have opportunistic behavior as the default choice to make. This does not mean that individuals won't act opportunistically, but merely that it differs greatly among the agents (Perrow, 1986). Further, Donaldson and Davis (1991) explain their concern that by expecting the agent to be opportunistic and act upon self-interest that behavior will instead be encouraged since it already is what's expected from them. The tools to manage agency problems have also been criticized, meaning that the extensive focus on extrinsic motivation might lead to

the intrinsic motivation disappearing, which would in the end lead to higher costs connected to the problem (Frey & Osterloh, 2005).

2.1.2 Stewardship Theory

As a consequence of the criticism directed towards the agency theory, the stewardship theory was developed. The foundation of the theory is that the human, unlike in the agency theory, is believed to be collectivistic and trustworthy (Davis, Schoorman, & Donaldson, 1997). Even if the agent would act wrongfully, it would be a human flaw rather than the narrow view of acting solely upon self-interest (Fox & Hamilton, 1994). The theory also means that besides the self-interest and monetary tools used to align interests based on the agency theory, other factors incentivize the agent to act in the interest of their principal such as loyalty and recognition. It is according to the stewardship theory common that the agent identifies with the company and wishes to act in the interest of the principals and the company as it reflects back positively on themselves (Davids & Donaldson, 1991). In the end, Davis, Schoorman, and Donaldson (1997) claim that it is up to the agent to act as an agent or a steward, and the firm should adapt accordingly.

2.1.3 Resource Dependence Theory

Since its publication, the resource dependence perspective on corporate governance has become an extremely influential theory in relation to strategic management (Hillman, Withers, & Collins, 2009). This specific theory is rooted in organizational theories and it takes a strategic view on the concept of corporate governance (Tricker, 2019). The firm is made up of certain resources that enable the firm to act in ways that sustain and improve both efficiency and effectiveness (Barney, 1991). These include a variety of assets, capabilities, knowledge, organizational processes, and firm attributes (Barney, 1991). Tricker (2019) goes on to explain how the resource dependence theory views the board of directors as the center between the company itself and the specific resources that are needed for conducting business and achieving the firm's objectives and goals. According to Jaskyte (2017), the board is effective when it can link the firm to resources such as vital entities, professional contacts, expertise, successful strategy formulators, and so on. To

extend the argument, an organization's choice of governance structure, as well as the board of directors and its composition can therefore be considered as an important factor affecting firm resources that add value to the firm and may therefore be explained by the resource dependence theory.

2.2 Board of Directors

Being a director comes with certain legal duties and ethical rights. These do however vary from jurisdiction to jurisdiction, yet one can argue that the overarching essence of them are relatively similar. Tricker (2019) argues that the board of directors' fiduciary duties are two-fold: (1) a duty of care, and (2) a duty of trust. In the following two subsections, the board and director's responsibilities will be expanded upon further.

2.2.1 Role of the Board

The role of the board is described in the *Swedish Code of Corporate Governance*, which from hereinafter will be referred to as *The Code*. The board must account for the company and the management of its affairs, as well as comply with regulations that may have been issued by the general meeting, provided that the regulation in question is not contrary to any relevant legislation (Kollegiet för svensk bolagsstyrning, 2020). Even though the board can delegate certain tasks, they still have the final responsibility for the control and monitoring of the matters of the company. The Code also states in its third chapter that each board member must devote the time and concern needed, but also ensure they possess the knowledge required to act in the interest of the shareholders and the company. The board members must also act independently and with integrity to see the interest of the company and its shareholders. The Code also states that the chairman has a special responsibility to make sure that the board is operating effectively and is well organized. (Kollegiet för svensk bolagsstyrning, 2020)

2.2.2 Board Composition

The Code determines certain criteria of the board composition (Kollegiet för svensk bolagsstyrning, 2020). The board can be no less than three directors, of which one must be appointed as chairman of the board. Only one of the directors may work in the management of the company or its subsidiaries, meaning that firms listed in Sweden are composed entirely or predominantly of non-executive directors. In addition, the majority of the directors of the board must be independent of the company and its management, as well as at least two directors, must be independent of major shareholders. The Code states that a positive view of active and responsible shareholders is the basis of why it's possible to have the majority of the board connected to major shareholders. (Kollegiet för svensk bolagsstyrning, 2020)

2.3 Board Effectiveness

Board effectiveness can be described as being a relatively ambiguous and somewhat subjective term. However, research has made an effort to try and identify what it actually entails. As such, the following section will aim to consolidate what previous studies and other literary work regard as board effectiveness.

Petrovic (2008) states that what type of characteristics or behaviors make a board effective as a governance mechanism is one of corporate governance's fundamental questions. This is most likely due to the growing pressure on directors to be able to govern their firm in an adequate and effective manner (van der Walt & Ingley, 2000). The authors add to this by arguing that the board needs to be a value-adding function to the organization which renders the need for an appropriate constellation of people within the board. Likewise, Kose and Senbet (1998) argue that a board's composition is one important element that affects board effectiveness. On a similar note, Nordberg and Booth (2018) state how given recent policy imperatives to expand the diversity in boards, further attention should be directed to diversity attributes to understand if and how they influence board work.

While one can see that evidence points to board composition being one determinant of effectiveness, what does it really mean to be an effective board? According to Tricker (2019), an effective board has a sound and appropriate leadership style which is supported by a well-balanced team of directors. A board may also be viewed as effective when they are able to bring discipline to the firm's top management team and executive officers (Kose & Senbet, 1998). Others say it may entail being compliant with the relevant corporate governance codes (Schmidt & Brauer, 2006). Sheridan and Kendall (1992, cited in van der Walt & Ingley, 2000), together with Pye and Pettigrew (2005) take a more overarching definition of board effectiveness, defining it as the directorate being able to genuinely add value to the organization and its stakeholders. Martinez-Jimenez, Hernández-Ortiz, and Cabrera Fernández (2020) concur, emphasizing their understanding of board effectiveness as the ability to direct and control functions in an effective way to ensure a prosperous firm, and hence create organizational value in accordance with stakeholder's interests. Furthermore, in 1999, Forbes and Milliken set out to define board effectiveness by two criteria: (1) board task performance adequately and effectively ability to perform its control and service tasks effectively" (p. 492), and (2) "the board's ability to continue working together, as evidenced by the cohesiveness of the board" (p. 492). Subsequent corporate governance literature has also, according to Petrovic (2008) often referred to board effectiveness as its ability to perform its direction and control roles.

Evidently, defining board effectiveness is not an easy task and there still is not one clear nor robust definition amongst researchers. Nonetheless, it is an important concept to grasp as the level of board effectiveness strongly contributes to the overall performance of the business (Forbes & Milliken, 1999; Martinez-Jimenez, Hernández-Ortiz, & Cabrera Fernández, 2020). So, for the purpose of this thesis, based on the reviewed literature, the term will be broadly defined as the ability of the board to adequately perform its control and service tasks so that it creates long-term value for the organization and its stakeholders.

Important to not neglect is that board effectiveness is likely to be influenced by various other factors which decide the initial level of effectiveness for each board. Needless to say, macroeconomic variables highly impact the work of the board and how well the directors can complete their tasks on behalf of the shareholders (Minichilli, Zattoni, Nielsen, & Huse, 2012)

Also, what constitutes an effective board is likely dependent on industry-specific factors and which phase the industry is in (Stimpert & Duhaime, 1997). Besides this, Eklund, Palmberg, and Wiberg (2009) state that the ownership structure of the firm influences both the performance and board composition.

2.3.1 Board Tasks & Processes

Through a review of the literature, it is clear that a vital function of the board is its performance of certain tasks. On the one hand, Åberg, Bankewitz, and Knockaert (2019) explain that the board's responsibility is divided into control tasks, service tasks, and supplemental tasks. Broadly defined, control tasks are usually the tasks the board does on behalf of external actors while the tasks done on behalf of internal actors are the service tasks (Huse, Nielsen, & Hagen, 2009). The supplemental tasks are instead related to areas such as legitimization and mediation (Åberg, Bankewitz, & Knockaert, 2019). Others also include strategy-related tasks which are often defined as the initiatives from the board to improve the firm and achieve long-term results and survival (Huse, Nielsen, & Hagen, 2009). These include but are not limited to the development of mission and vision statements, evaluation of strategic proposals, and strategy implementation (Zhang, 2010). On the other hand, according to Tricker (2019), the board's tasks fall into four categories, the first two being conformance roles and the last two being performance roles. Firstly, directors are formally accountable to the shareholders. The second is about monitoring and supervising executives, meaning the board should implement control systems to be able to effectively monitor the enterprise and the management performance. Next is strategy formulation which involves establishing a firm's long-term direction that is consistent with the acceptable risk profile to ultimately achieve the firm's purpose. Lastly, Tricker (2019) explains how policymaking involves rules, systems, and procedures that guide but also constrain the top management team.

While the specific names of certain types of tasks are not uniform across researchers, they do essentially describe the same things. Every director as well as the collective board has a responsibility to ensure they are able to effectively carry out the duties and tasks (Kollegiet för svensk bolagsstyrning, 2020). However, to be an effective director, it is not enough to simply

attend scheduled board meetings; thoughtful preparation outside the boardroom is key (Geyer, 2020a). This includes reading and reflecting on papers sent out, but also undertaking additional research prior to board meetings (Geyer, 2020a). Additionally, the chair has a responsibility to create a board work plan to adequately address strategic-, risk-, compliance-, and operational oversight and monitoring responsibilities throughout each meeting (Geyer, 2020b).

Important to acknowledge is the fact that when it comes to the board process, defined as the way board members interact, develop norms, and engage in decision making (Maharaj, 2009), no process is exactly like the other. In a study by Bezemer, Nicholson, and Pugliese (2014) it was found that while structural elements of board meetings may appear the same on a surface level, such as board agendas, approval of last meeting minutes, committee reports, etcetera, meetings, and interactions are on a deeper level neither standardized nor linear. The authors found both intra- and inter-board meeting differences in their study, challenging the notion of board meetings being relatively homogenous and monolithic. Observed differences in board meeting styles and processes may also explain any unclear results on the board structure-performance relationship, according to the authors. These claims further support the notion that defining board effectiveness is somewhat subjective.

2.4 Board Diversity & Composition Attributes

In the following subsections, each of the five attributes relating to board diversity and composition will be evaluated. Through a review of a multitude of previous studies, the authors expect to gain a more robust and comprehensive understanding of what current literature says regarding each attribute's effect on board effectiveness and firm performance.

2.4.1 Board Size

A study from Jensen (1993) criticizes larger boards and claims that boards exceeding seven to eight board members leads to poorer communication and worse decision making. When the board is larger, the agency problems connected to the board become more intense, meaning that the CEO has a greater influence over the board and their decisions (Jensen, 1993). However, in a

Danish study on SMEs by Bennedsen, Kongsted, and Nielsen (2008), no effect was found on firm performance when board size varied at a level of fewer than six directors. Interestingly enough though, the authors found a statistically significant negative effect on firm performance when the board size increased to six or above. Nonetheless, support for Jensen's conclusion can be inferred from studies by Bøhren and Strøm (2007) who argue firm performance is higher when there is a smaller-sized board, and by Randøy, Thomsen, and Oxelheim (2006) who suggest that an increased board size can lead to negative performance effects. Hermalin and Weisbach (2003) similarly conclude how larger boards often invite the possibility of agency problems, such as free-riding of directors. The authors further suggest how this may render the board to become more symbolic and hence less effective in performing their fiduciary duties. These claims are confirmed by Yermack (1996) who also states that the control and monitoring declines in larger boards. Mak and Kusnadi (2005) support previous studies as they found an inverse relationship between firm value and the size of the board. Furthermore, negative effects on a company's variability of corporate performance are associated with more directors on the board, which is explained by larger boards' reluctance to make more extreme decisions, preventing them from making great decisions (Cheng, 2008). Gosh's (2006) findings also suggest that boards of larger size have a dampening effect on firm performance as measured by both accounting and market-based performance measures.

Important to not neglect is that there is some research that has found a larger board to be of advantage for the firm. For example, Linck, Netter, and Yang (2008) find evidence that smaller boards are not always preferable for a company depending on specific needs within the firm. Coles, Daniel, and Naveen (2006) agree by stating that larger boards might be more valuable to firms whose management requires more advice from them. A larger board size may also be favorable for monitoring purposes as the workload can be distributed amongst a greater pool of people (Alzoubi, 2014). In addition, Kalsie and Shrivastav (2016) explain how the resource dependence theory also proposes that a larger board size is desirable. The argument is grounded on the fact that as the number of directors increases so does the resource availability in terms of diverse expertise and knowledge from different fields which aids in providing greater monitoring capacity in addition to enhancing a firm's external linkages. Further, Rehja (2005) means that the board is a function of the characteristics of a firm and should mirror that which suggests that

sometimes a large board may be considered a more optimal choice. In contrast, Hassan (2017) has instead found no relationship between a board's size and a firm's performance.

Evidently, a vast majority of research concerning board size favors smaller-sized boards. Then again, there have been conflicting results as larger boards do render some advantages according to researchers. Ultimately, Kalsie and Shrivastav (2016) therefore propose that all firms seeking to find an "optimal" board size face a trade-off between the benefits that accrue from having a sufficient amount of competencies on the board and the costs that arise from potential director free-riding.

2.4.2 Gender Diversity

The case for board gender diversity, defined as the presence of female directors in the boardroom is not novel. It has been a hot topic of debate among not only academics and directors themselves, but also amongst politicians, and many argue that women have for years been systematically excluded from corporate boards due to their gender. Unsurprisingly, this has generated immense attention in the research community and as such, many studies have been produced. Despite this factor, consensus regarding the issue has not been reached due to studies producing mixed results.

Much research has to date examined the influence of gender diversity on a firm's economic and financial results (Martinez-Jimenez, Hernández-Ortiz, & Fernández, 2020). For example, Campbell and Mínguez-Vera (2010) sought to examine both long-term and short-term effects of female board appointments. They found that the stock market reacts, on average, favorably to female board appointments, indicating that investors believe women directors add some value. The authors can further conclude through regression analysis that female directors are in the long term positively associated with firm value and performance. Other studies have also supported the view that women's representation on corporate boards positively affects a variety of variables that measure a company's financial performance (Carter, Simkins, & Simpson, 2003; Lückcrath-Rovers, 2011; Reguera-Alvarado, de Fuentes, & Laffarga, 2017; Hassan, 2017). On the contrary, a study by Gupta, Lam, Sami, and Zhou (2021) found mixed results when

statistically evaluating gender diversity's relation to financial performance measures. However, Nguyen, Locke, and Reddy (2015) concur with the latter studies but also add that although two or more female directors are desirable, even just having one woman on the board can have a positive effect on firm value and board work. This is however contested by Arena, Cirillo, Mussolino, Pulcinelli, Saggese, and Sarto (2015) who instead argue that diversity has to extend beyond tokenism, and therefore, it is only the "critical mass", argued to be three women (Schwartz-Ziv, 2017), as opposed to the mere presence of women that has an incremental benefit on firm performance.

Evidently, a positive relationship between gender diversity and firm performance has been found, however, some also find no existence of it. Nielsen and Huse (2010) can conclude from their survey-based research that when comparing firms with both high and low ratios of female directors, there is no overall difference in performance. An examination of financial performance measures on Norwegian firms affected by their gender quota reform also found negligible results (Dale-Olsen, Schöne, & Verner, 2013). Support for any statistically significant relationship between gender diversity and firm performance measures has neither been found by Carter, D'Souza, Simkins, and Simpson's (2010) study on US corporations nor by Randøy, Thomsen, and Oxelheim (2006) in their study on Danish, Norwegian, and Swedish organizations. Moreover, a study on corporate risk-taking by Sila, Gonzalez, and Hagendorff (2016) found no evidence that gender diversity affects corporate risk, nor that risk affects the choice of director appointments. "Ultimately, the case for greater gender diversity on corporate boards rests on a sense of fairness" (Sila, Gonzalez, & Hagendorff, 2016, p.46)

On the contrary, a study by Bøhren and Strøm (2007) suggests that a firm's performance is higher when the board has a low level of gender diversity. In a similar fashion, Martinez-Jimenez, Hernández-Ortiz, and Fernández, (2020) found a statistically significant negative relationship between the presence of women on the board and its effectiveness, as measured by strategic control, organizational innovation, and decision-making. In contrast, female directors have been found to, compared to their male counterparts, have fewer attendance problems in relation to board meetings (Adams & Ferreira, 2004). Furthermore, the more gender-diverse the board is, the fewer attendance problems are exhibited by male directors (Adams & Ferreira, 2009).

According to the authors, results from both studies suggest that gender-diverse boards exert greater monitoring and oversight efforts and hence, are more effective than homogenous boards in carrying out their duties. Terjesen, Sealy, and Singh (2009) agree, arguing that gender diversity may positively affect a board's effectiveness due to women's diverse human capital. Furthermore, since nearly half of the population is represented by women, gender-diverse boards may have access to a wider array of talent as well as better reflect the demographics of key stakeholder groups (de Cabo, Gimeno, & Nieto, 2012). Similarly, Nielsen and Huse (2010) argue for female directors being good contributors to increased board oversight. More specifically, they argue that while having women on corporate boards may not affect firm financial performance measurements, they do appear to increase board effectiveness by reducing conflict levels and enhancing board oversight due to females' greater sensitivity towards other people and their diverse interests and perspectives. Nielsen and Huse (2010) further speculate how their findings may explain why there are great difficulties in establishing a direct and convincing relationship between firm performance measures and a board's gender composition.

2.4.3 Multiple Directorships

The issue of directors' possessing multiple directorships, also known as "busy" directors, has come under scrutiny from not only academics but also practitioners. However, prior research has again documented mixed results. Clements, Neill, and Wertheim (2013) state how some find support for the Busyness Hypothesis which argues that "sitting on multiple boards is detrimental due to the distractions and time constraints that result for the directors" (p. 162). Alternatively, they explain how others find empirical support for the Experience Hypothesis which suggests that "directors gain valuable experience in varied industries and/or regulatory environments by serving on multiple boards, which results in increased governance effectiveness" (p. 162).

While Fich and Shivdasani (2006) contend that multiple directorships can be a source of valuable experience and provide directors with reputational benefits, their results from a quantitative study indicate that there are costs to holding multiple directorships. They explain how as the number of busy directors increases, the directors and also the board as a whole becomes more distracted. This leads to ineffective monitoring and as a consequence, firm performance and firm

value is likely to suffer. This is consistent with findings from Loderer and Peyer (2002) who have found evidence of multiple directorships being negatively associated with firm value. The authors speculate that the results partly stem from the time constraints faced by directors due to holding multiple directorships. De la Rosa (2006) concurs, stating how too many board commitments will prevent directors from spending the necessary time and thought on a business and its strategic objectives.

Moreover, Jiraporn, Davidson III, DaDalt, and Ning, (2009) investigated multiple directorships and their impact on board meeting attendance. As predicted, they found a higher tendency amongst busy directors to be absent from board meetings. In addition, the authors stipulate how their findings may provide at least one possible explanation for why previously mentioned studies have found a director's busyness to be problematic, especially as Vafeas (1999) argues that board meetings are an important dimension of firm performance. Furthermore, as people have a limited attentional capacity, too many competing demands may even compromise a director's decision-making quality (Shalley, 1991).

In contrast, Harris and Shimizu (2004) found no evidence to corroborate Jiraporn, et al. (2009) conclusions. In their study, they could not prove at a significant level that busy directors disproportionately miss board meetings compared to non-busy directors. As noted by the authors, this may be because busy directors are more diligent in assessing meeting schedules before accepting any additional board memberships. In fact, Harris and Shimizu (2004) argue that those holding multiple directorships represent important sources of knowledge and are busy for a good reason, namely because they are good contributors and can effectively engage in strategic decisions. As such, the authors conclude how one should exercise caution before condemning busy directors, or even busy boards for that matter, as ineffective. This argument is also based on the fact that directors differ in terms of responsibilities beyond board commitments; some may hold an executive position and must be careful with directorships impeding on one's primary work obligations while others have no other occupation besides being a board member (Harris & Shimizu, 2004). Nonetheless, other studies have also found support for the notion that busy directors accumulate advantageous knowledge, skill, and connections, do not harm board effectiveness nor firm performance, and do not shirk their responsibilities (Ferris, Jagannathan,

& Pritchard, 2003; Elyasiani & Zhang, 2015). Moreover, according to Rubino and Napoli (2020), those with multi-directorships often possess a broader range of experiences in addition to network connections. As the resource dependence theory also emphasizes a director's role in connecting the firm to external resources, it suggests that busy directors can provide important know-how due to extensive external experiences (Rubino & Napoli, 2020).

Moreover, while busy directors and boards are a globally occurring phenomenon, an interesting effect is found when evaluating the impact of director busyness against a firm's age. Ferris, Jayaraman, and Liao, (2020) find that those firms whose board comprises a majority of busy directors exhibit a lower market-to-book ratio in addition to lowered profitability. However, this observed relationship was found to be reversed for younger firms. This can be explained by the fact that busy directors are often more well-connected and experienced, and as such, they are better positioned for being effective advisors rather than monitors, and hence most beneficial for younger firms (Field, Lowry, & Mkrtchyan, 2013). Consistent with this notion, it is found how the frequency of busy directors on boards declines as a firm matures due to a decreased demand for advisory services (Field, Lowry, & Mkrtchyan, 2013; Ferris, Jayaraman, & Liao, 2020).

All in all, it is clear how the debate on costs versus benefits of multiple directorships continues. Based on the review, there appears to be ample support among academics regarding busy directors' ability to accumulate valuable experience, indicating at least partial support for the Experience Hypothesis. However, based on the evidence presented above, the Busyness Hypothesis can clearly neither be accepted nor refuted at this point in time.

2.4.4 Independence of Directors

In some countries the definition of independence is rather slim, such as business relationships or family relationships but does not take into account other types of relationships that might compromise the independence of the director and their objective judgment (Varotttil, 2010; Kollegiet för svensk bolagsstyrning, 2020). For example, one could distinguish between formal independence, involving the above, i.e. business and family ties to the firm, and social independence which includes various social factors, i.e. demographic similarities, informal

relationships between a CEO and a board member, etcetera (Bednar, 2012). While the search for a consistent definition for director independence has been eluded by academics as well as regulators (Calderón, Piñero, & Redín, 2020), for the purpose of this thesis it will be regarded in terms of formal independence.

Even though having independent directors on the board is most often mandatory, or at least strongly encouraged, the research on the topic has been inconclusive. Pass (2004) claims that the independent directors are helpful to, for example, hold the management accountable, detect risks and opportunities executives might miss, and support the firm through major changes in the ownership structure or business model. John and Senbet (1998) find a positive relationship between independent directors and board effectiveness, claiming it to be a result of better monitoring as well as higher vigilance towards replacing management that isn't performing satisfactorily. Oxelheim and Randøy (2003) also mean that by increasing the independence on the board, the managerial entrenchment would be reduced as a consequence of better monitoring and less courtesy. Other studies also stipulate that having independent directors on the board may result in better oversight of financial reporting and protection of shareholder interest in vulnerable situations (Agrawal & Chadha, 2005; Hermalin & Weisbach, 2001). Extending the argument, Tricker (2019) explains how independent directors' advice may be particularly valuable for risk recognition. In line with the resource dependence theory, independent directors may as well provide crucial resources for a firm's overall success (Johnson, Daily, & Ellstrand, 1996) due to their considerable human and social capital.

On the contrary, Mishra (2020) finds evidence for a negative relationship between independent directors and profitability. More specifically, the author explains how having more independent directors than required might result in a monetary loss for the shareholders due to less engagement and knowledge about the firm. Tricker (2019) also brings attention to the fact that the more independent directors are, the less know-how they will have regarding the firm and the industry it competes in. Bøhren and Strøm (2007) add to this by suggesting how increasing board independence may even reduce the management's willingness to share relevant and much needed information with the board of directors. Additionally, Varottil (2010) states how independent directors are given a much more important role than what can be justified and how they may

create a false sense of security among the firm's shareholders. Studies also claim that independent directors lack the mandates to control the top management and therefore can't fulfill their purpose (Gutiérrez & Sáez, 2013). Further, Cohen, Fazzini, and Malloy (2012) describe how independent directors are selected on the basis of how sympathetic they are to the management even though they are technically still independent.

In sum, the evidence is yet again somewhat mixed. Nonetheless, there are clear benefits of director independence. As such, boards should aim to strike an appropriate balance in the board amongst independent and non-independent directors for effective governance (Tricker, 2019).

2.4.5 Foreign Directors

Studies on the impact foreign board members have on companies have shown both positive and negative effects. The cultural differences that they bring to the board room highly impact the firm performance and the board acts differently due to the foreign presence (Oxelheim & Randøy, 2003; Hooghiemstra, Hermes, Oxelheim, & Randøy, 2019; Garanina & Aray, 2021; Du, Jian, & Lai, 2017). While the studies are not per se conflicting, the different sides might be of different importance to each firm and industry, making the recommendations of foreign board members in the boardroom non-unitary.

Oxelheim and Randøy (2003) explore the impact on foreign board members by examining how firm value changes if there is an Anglo-Saxian board member present in the boardroom. Previous studies show a correlation between firm value and the quality of the monitoring and decision-making as well as the board's ability to sustain an effective organization (Shleifer & Vishny, 1997; Jensen, 1993). On this basis, Oxelheim and Randøy (2003) form the hypothesis that there is a positive relationship between having foreign board members and firm value. The study claims that the phenomenon of an "old boys network" would be challenged which in turn would lead to higher concern regarding truth and frankness to fulfill the task of acting in the interest of the shareholders, rather than prioritizing politeness and courtesy in the boardroom (Oxelheim & Randøy, 2003). In addition, Du, Jian, and Lai (2017) claim that having foreign

board members lead to better monitoring of financial reporting, which is in line with the hypothesis of foreign board members contributing to better supervision in the boardroom.

Having a foreign board member might also increase the overall firm performance (Khidmat, Ayub-Khan, & Ullah, 2020; Darmadi, 2011; Choi, Park, & Yoo, 2007). Darmadi (2011) together with Khidmat, Ayub-Khan, and Ullah (2020) also claim how performance is enhanced by international networking and better monitoring of management. Schmid and Roedder (2021) further argue that when there is an increasing dependence on foreign capital in the firm, foreign directors bring an important variety of resources which are vital for firm success such as knowledge within a specific market and management of uncertainties relating to foreign owners.

Some studies stipulate that having foreign board members can be a disadvantage for the firm. Manzoni, Strelbel, and Barsoux (2010) mean that diversity of nationalities can lead to disputes and hence, an “us-versus-them” mentality if not handled properly, as well as higher demand for integrating initiatives within the board. Piekkari, Oxelheim, and Randøy (2014) further explain how acquiring a foreign director often implies having to switch the corporate language of the board. The authors argue that using a non-native language on the board may cause both impoverished and silenced discussions, especially for those firms who are unprepared for a switch towards an English working language. Board work processes are likely to suffer unless all directors are on a leveled playing field in regards to working language fluency. Therefore, Piekkari, Oxelheim, and Randøy (2014) suggest that all firms should put in substantial effort to prepare for a corporate language change to ensure that any foreign board member is not at risk of becoming a token director. Further, Milliken and Martins (1996) mean that diversity can be seen as a double-edged sword. They claim that by having foreign board members the board’s creativity can be sparked, but the board may struggle with ensuring that all board members feel included and integrated.

2.5 The Role of Boardroom Biases

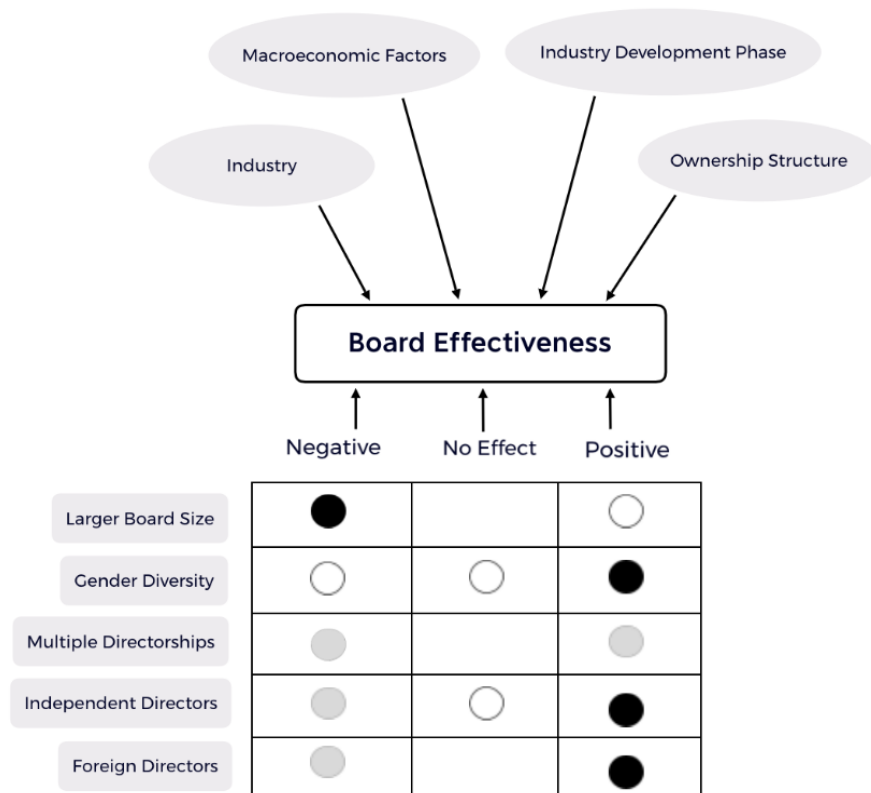
People make countless decisions every day without actually being aware of them (Oberai & Anand, 2018). Some of this may be attributed to what is known as unconscious biases.

According to Noon (2018), everyone is subject to unconscious biases as they are both automatic and instinctual. Oberai and Anand (2018) further state how unconscious biases have detrimental effects on overall workplace diversity and inclusivity. Not only that, they also argue how it may undermine the recruitment process, consequently creating a relatively narrow pool of people.

Groupthink is one of the more well-known and prevalent biases commonly cited in relation to corporate boards. Originally, Irving Janis defined groupthink as people's tendency to strive for consensus during group discussions which often overrides their motivation to evaluate alternative courses of action (Hart, 1991). The author further explains how this mode of thinking is often exhibited by people in a deeply cohesive group. In addition, Petrovic (2008) states how highly homogenous groups often are subject to groupthink which Adobor (2004) explains has negative consequences for not only decision-making quality but also the effectiveness of the group as a whole. In line with this, Kakabadse and Myers, (1996) indicate how boards that have greater diversity may be able to reduce the threat of groupthink due to the presence of diverging perspectives. Building on this, Petrovic (2008) states that the contrasting point of views and perceptions held by a diverse group of board members can and likely will lead to cognitive conflicts. A moderate amount of cognitive conflict may however enhance board effectiveness (Petrovic, 2008). This is because cognitive conflicts can result in the board employing more “critical and investigative interaction processes that can enhance the board’s performance of its control role” and result in “the consideration of more alternatives and the more careful evaluation of alternatives” (Forbes & Milliken, 1999, p. 494), hence reducing the risk of groupthink.

2.6 Preliminary Framework

Based on the aforementioned theoretical and literary review, the following preliminary framework has been developed by the researchers. The framework illustrates the impact each attribute has on board effectiveness divided into negative-, positive-, and no effect. The dots illustrate how extensive the research that ended up in each conclusion has been, with white being limited, gray being somewhat extensive, and black being extensive. The ovals describe factors that impact board effectiveness besides the board composition and diversity attributes.



Extent of research:

- Limited
- Somewhat extensive
- Extensive

3 Methodology

The aim of this chapter is to discuss and reflect upon the chosen research methodology. Insights into how the research was conducted as well as the justifications for it will be outlined. Additionally, both advantages and disadvantages of the chosen methodology will be evaluated.

3.1 Research Approach

The research question for this thesis is derived from the aforementioned literature deficiencies in the form of mixed results concerning certain board composition and diversity attributes and their influence on board effectiveness. More specifically, the question guiding the research is:

How do board of directors perceive specific attributes of board composition in relation to board effectiveness?

Creswell and Creswell (2018) explain how when researchers seek to learn the meaning participants hold about a certain issue, this renders a qualitative research approach. It is however important to acknowledge the criticism of the qualitative research approach. As Bell, Bryman, and Harley (2019) explain, qualitative work may be regarded as too impressionistic and subjective where findings often rely too much on the researchers' unsystematic views about the significance of the data collected. While this may be true and can be somewhat combated by employing a quantitative approach, it would not have been possible to satisfactorily answer the research question. This is due to the fact that perceptions cannot be quantified through the numerical and statistical nature of a quantitative method. As this particular thesis seeks to understand participants' perceptions regarding board attributes, a qualitative research approach that enables a more in-depth exploration was chosen to address the question mentioned above adequately.

Moreover, as the aim of this study lies in understanding directors' perceptions to determine if previous studies and underlying theories hold true against the five board attributes, a deductive approach may initially be viewed as appropriate. As Bell, Bryman, and Harley (2019) explain,

deductive reasoning involves testing already-established theory. However, since it is mainly concerned with testing hypotheses, it does not sufficiently represent the entirety of our research process. Following the collection of data, the study followed a more inductive research style where the intent, as explained by Bell, Bryman, and Harley (2019) lies in building theory based on the empirical data. While both styles are applicable to a certain extent, each exhibits certain weaknesses. These include the abundance of empirical data necessary to enable theory-building inductively and the uncertainty that prevails when trying to select the most fitting theory to be tested deductively (Bell, Bryman, & Harley, 2019). The abductive logic is therefore proposed as an alternative to overcome the inherent limitations as it, according to Bell, Bryman, and Harley (2019) provides a more pragmatic and flexible approach to research. It is seen as the most appropriate depiction of this study's research process.

3.2 Research Design

A case study was chosen based on the complex and ambiguous nature of the research question. Yin (2009) explains how case studies are strongly recommended when the intention is to investigate complex phenomena in depth where the boundaries to the context are not entirely clear. Since the aim is to explore the effectiveness within boards, which will always operate in different contexts, this was deemed to be the best fit for the purpose. The decision to conduct a multiple case study rather than a single case study was based on three factors. First, conducting a multiple case study is often considered to provide a more solid base for the research, as well as enable better theoretical reflection due to the ability to see common and unique characteristics (Yin, 2009; Bell, Bryman & Harley, 2019). Second, multiple case studies often result in more robust theories (Eisenhardt & Graebner, 2007), which is one of the goals of the abductive approach. The third factor is that a multiple case study often allows for greater depth and generalization (Yin, 2009; Eisenhardt & Graebner, 2007).

Each interviewee represented several cases due to their multiple board engagements. The aim of the study was to capture how the differences in board compositions affect the board effectiveness, meaning that each board membership had to be dealt with separately to avoid a

generalization of their experiences. Handling the cases this way enabled additional cross-case comparisons.

Still, there are limitations to all approaches, including the multiple case approach. Due to limited time and resources, Yin (2009) explains how a study must be conducted with caution and awareness of the resources available to complete the process. Another identified factor that requires awareness throughout the study is how human flaws can alter the interpretation between cases (Bell, Bryman, & Harley, 2019). We believe that human factors such as biases and stress due to time limitations may lead to slight inconsistencies in the comparison between cases. Yet, our continuous awareness and use of systematic approaches in the analysis helped to minimize such limitations.

3.3 Data Collection

The majority of data collected for the purpose of this thesis is of primary nature and was acquired through multiple board member interviews. More specifically, semi-structured interviews were conducted. Prior to settling on a semi-structured format, other types of interview formats were considered, namely unstructured and structured. Unstructured interviews often involve merely a list of topics or one overarching question to be discussed (Bell, Bryman, & Harley, 2019) which may have produced data that deviated too far from the intended research. On the contrary, the structured interview format often invites only a fixed range of answers and is more standardized in nature (Bell, Bryman, & Harley, 2019). Needless to say, both of these were ultimately disregarded as the research opted for the middle ground, that is semi-structured interviews. This choice was made to ensure the presence of free thought and depth in the answers provided while being able to maintain a degree of cross-case comparability. Further, according to Bell, Bryman, and Harley (2019), a semi-structured format is an appropriate selection as the study's interest lies in acquiring the interviewees' point of view. The open-ended and flexible nature of the questions in a semi-structured interview also created the desired level of latitude in how participants could interpret each question and hence reply to them. Important to also mention is that the completed interview guide does contain one question regarding gender diversity that is only asked to the male participants, as outlined in Appendix A. This was done to

ensure that research participants were asked the most relevant questions based on their professional background within boards.

Prior to conducting the interviews, three important decisions were made. First of all, while conducting each interview, it was decided to have one researcher adopt the role of the leading interviewer and the other be a passive interviewer. While the leading interviewer posed the outlined questions in the interview guide, the passive interviewers' responsibility was to be attentive to the progress of the interview as a whole. The researcher who adopted the more passive role was also tasked with intervening when a topic was in need of probing or further explanation and clarification to ensure valuable insights could be derived post-interview. Second, audio recorders were used to be able to transcribe each interview verbatim. Each audio file was uploaded to a separate Microsoft Office Word document where the audio was transcribed through their built-in transcription tool. The transcription was then checked for errors by listening to the original audio file. Bell, Bryman, and Harley (2019) emphasize how recording and transcribing is a standard practice in qualitative research as the interest does not only lie in *what* people say but also in the *way* respondents articulate themselves. All respondents felt comfortable with audio-recording after they had been told that it would be deleted immediately after a passing grade had been obtained on the thesis. Lastly, the decision was made to conduct all interviews in Swedish. Naturally, this meant a more tedious transcription process as the data which was to be incorporated into the analysis and discussion chapter had to be translated from Swedish into the writing language of the thesis, namely English. Xian (2008) explains how translation is often regarded as a purely technical exercise, and not an interpretative process per se. However, multiple problems may arise when translating interview data. These include but are not limited to words in Swedish not having an equivalent English word, or grammatical structures not being easily translated (Xian, 2008). As translations were ongoing, these two problems became an apparent frustration at times. Nonetheless, as all interviewees' mother tongue is Swedish, it was deemed appropriate to conduct all interviews in said language. It ensured that all participants felt comfortable and could articulate themselves unrestrictedly. This is deemed to have led to more deep and insightful data.

All semi-structured interviews were conducted through the online video-call tool Google Meet. The choice to conduct all interviews digitally was made so as to eliminate any unnecessary and time consuming travels for both the researchers and the participants. The multiple case study was therefore able to be completed in a relatively short period of time. While face-to-face interviews are generally preferred to help build and maintain rapport with respondents, pick-up on visual cues, and so on, there are advantages to online interviewing (Bell, Bryman, & Harley, 2019). For example, conducting interviews online may have helped to encourage people to agree when they otherwise might have declined to participate as it allows for greater flexibility and time savings (Bell, Bryman, & Harley, 2019). In addition, all participants were perceived to be relatively familiar with working online, especially due to the pandemic, which helped to eliminate any technological deficiencies and as such, ensure the interviews progressed without any major interruptions.

3.3.1 Pilot Studies

Prior to conducting the interviews, pilot testing was conducted. This is not only desirable, but is also a common practice within research to help improve or alter any questions, the format, instructions, and so on (Creswell & Creswell, 2018). A pilot study is also helpful to assess whether the intended participants will be able to make sense of and satisfactorily answer the predetermined questions (Bell, Bryman, & Harley, 2019). While this is most often used when conducting self-completion questionnaires or the like (Creswell & Creswell, 2018; Bell, Bryman, & Harley, 2019), it was deemed relevant to also apply this when conducting interviews. According to Kallio, Pietilä, Johnson, and Kangasniemi (2016), this can be done in three ways: (1) internal testing, (2) expert assessment, and (3) field testing. As the research team did not consist of more than two authors, and access to an interview guide specialist was deemed difficult, it was decided to utilize field testing. This is one of the most-used techniques for semi-structured interviewing and entails testing the preliminary interview guide with a potential study participant (Kallio et al., 2016). In accordance with this, two board members who fit the description of the desired research participant were contacted using a convenience sample approach. The two pilot tests were conducted under the same conditions as they would be during subsequent interviews to ensure that the board members taking part in the pilot tests could

provide valuable feedback on all aspects of the intended interview format. After both pilots had been conducted, minor alterations were made regarding the formulation of some questions to enhance their clarity. One question was also deemed redundant and hence omitted from the final interview guide.

3.3.2 Choice of Participants

To recruit board members that would like to partake in this study, certain criteria that each possible participant needed to meet were mapped out. The primary requirement was that each board member should have held or currently hold at least three directorships to ensure they have experience from multiple boards. As the study is directed toward Swedish boards, only Swedish directors were recruited. As industry and firm size comparisons are beyond the scope of this thesis, no industry- or size requirements were made in our sampling process. Moreover, it was deemed important that each interviewee has experience as a board member to generate more in-depth insights about the various board attributes and to encourage each interviewee to make comparisons among the boards they have been part of. Finally, as it is only the perceptions of previously studied board attributes in relation to board effectiveness that is evaluated and not a comparison between boards of public versus private firms, it was decided that the pool of potential interview candidates could consist of those having served or still serve in both public and private firms.

Moreover, to recruit appropriate participants, desk research was carried out to find directors who have served or currently serve on multiple boards. Furthermore, allabolag.se, company websites, and public corporate reports were utilized to gain a more detailed picture of each candidate's background in relation to the types of boards they have been or still are members of. This was done to ensure the likelihood of each participant being able to discuss each of the five board attributes. An email was sent out with the necessary information to potential study participants, and a positive response was generated from seven of them which would ultimately constitute the basis of our data collection. Lastly, it is of course acknowledged that additional interviews could have yielded additional insights. However, due to time and other resource constraints, seven

interviews were deemed sufficient to adequately address the research question for this thesis, especially since each interview represents multiple cases.

3.4 Data Analysis

When the collection of data was complete, an analysis of the data followed. Bell, Bryman, and Harley (2019) emphasize how the analysis process is oftentimes quite difficult as qualitative research rapidly generates an abundance of complex data due to its reliance on unstructured language. Furthermore, Miles (1979) argues that qualitative data can be considered an “attractive nuisance”; While the data is regarded as rich, full, and holistic with great face validity, the methods for analysis are not very well formulated, and hence difficult. Nevertheless, this section is concerned with describing how the qualitative data was analyzed and the intentions behind the analysis process. This process follows what Bell, Bryman, and Harley (2019) describe as one of the most common approaches, namely thematic analysis. The authors do however disclaim that thematic analysis lacks a clearly specified procedure as the search for themes can be discerned in a majority of qualitative data analysis approaches. Due to this, it was decided to combine aspects of both thematic analysis and Gioia, Corley, and Hamilton’s (2012) more systematic and structured approach to data analysis through a first- and second-order coding process.

The data analysis began by getting familiar with the transcribed material through multiple accounts of read-throughs. Then, at the beginning of the first-order analysis process, no attempt was made to distill categories, as recommended by Gioia, Corley, and Hamilton (2012). The focus was instead put on extracting all statements that appeared relevant to the overarching research question, and as such, the number of categories grew quite large. As the analysis progressed and moved forward to the second-order analysis, Gioia, Corley, and Hamilton (2012) explain how focus lies with finding emerging insights to help describe and explain the observed phenomena, in this case, understanding each of the five board attributes’ influence on board effectiveness. At this stage, similarities, differences, and themes were identified among the various first-order categories through a manual color-coding process. This was accomplished by looking for repetitions, metaphors, analogies, comparing interviewee answers, evaluating linguistic connectors that point to causal connections, evaluating missing data, and so on (Bell,

Bryman, & Harley, 2019). In line with abductive reasoning, this analytical process involved a repetitive back and forth engagement with the empirical evidence, literature, and theoretical framework (Bell, Bryman, & Harley, 2019). Overall, adopting this approach to data analysis was deemed relevant as it allowed for a systematic extraction of the most relevant aspects from each interview. While some opt for various data analysis computer software to aid in this process, the choice was made not to. The logic behind the decision is that these software tools are only as good as those who developed them. Additionally, while an abundance of unstructured data had to be sorted through and analyzed, it was argued that a more profound and deeper understanding of the data would be acquired by engaging in this process without digital help tools.

Lastly, as data analysis is an interpretative process, it is important to ensure the analysis is not subjective or biased (Church, Dunn, & Prokopy, 2019) by for example wishful thinking, self-deception, stereotyping, etcetera. To certify that our biases intruded as little as possible, a level of skepticism was needed in the analytical process. This was achieved by the two authors constantly challenging and questioning interpretations and conclusions made by the other as well as repeatedly going back into the transcribed text to ensure no quote was taken out of context.

3.5 Validity & Reliability

Bell, Bryman, and Harley (2019) explain that in order to assess the quality of any business research, both validity and reliability are important criteria to consider. Then again, there has been considerable debate regarding their relevance and application in terms of qualitative research (Bell, Bryman, & Harley, 2019). For example, they explain how the validity criterion is more often than not related to some form of measurement, which is not a significant preoccupation amongst researchers in the qualitative realm. As such, Lincoln and Guba (1985) suggest that a qualitative study's quality should be evaluated using a different set of criteria that act as alternatives to reliability and validity, namely trustworthiness and authenticity.

The first aspect of trustworthiness comprises four distinct criteria: (1) credibility, which parallels internal validity, (2) transferability, which parallels external validity, (3) dependability, which

parallels reliability, and (4) confirmability, which parallels objectivity (Lincoln & Guba, 1985; Bell, Bryman, & Harley, 2019).

Credibility cannot be well-established without any recourse to the study participants (Lincoln & Guba, 1985). Therefore, respondent validation was to an extent utilized to ensure credibility of empirical findings. More specifically, for those interview statements obtained that appeared unclear, an email was sent to the specific directors to clarify and ensure our interpretation of it was not taken out of context. Another measure that was incorporated to aid in the study's credibility is data triangulation, meaning that researchers examine a variety of data sources (Creswell & Creswell, 2018) to provide cross-validation of data and greater confidence in one's findings (Bell, Bryman, & Harley, 2019). To complement the primary interview data, each director's board experience and their respective board compositions were derived from organizational documents and annual reports for public firms as well as allabolag.se for private firms. Further, it was deemed important to interview not only directors but board chairs to help enrich the findings. The triangulation of data was also achieved through an extensive literature review where previous findings were compared and contrasted.

The second aspect of transferability relates to the generalizability of the findings beyond the context of the study (Bell, Bryman, & Harley, 2019). It is recognized that a study consisting of seven directors is likely too small to make it valid in or transferable to the external environment simply because the sample may not be representative of the entire population of Swedish directors. Yet, as a qualitative study is concerned with studying a phenomenon in depth rather than in breadth (Bell, Bryman, & Harley, 2019), ensuring a high degree of transferability was not the primary goal of this multiple case study. Instead, what Geertz (1973) calls a thick description is provided, meaning detailed accounts of how the study was conducted. Lincoln and Guba (1985) even argue that the presence of a thick description provides the appropriate information base for anyone with an interest in making judgments about the study's transferability.

Furthermore, to ensure a degree of dependability, Lincoln and Guba (1985) describe the importance of auditing. This entails keeping and showcasing complete records of all phases in the research process where one's peers may then act as auditors. For this study, a degree of

dependability was ensured through continuous supervision meetings with our supervisor as well as through the mid- and final-seminar peer-review processes. A meeting with LUSEM's academic skill services (ASKS) for a thesis evaluation prior to the mid-seminar further contributed to the study's dependability. This allowed external parties to discuss, question, and challenge our findings and the inferences made from them.

The fourth aspect of trustworthiness relates to confirmability and is about ensuring that the researchers acted in good faith while conducting the study (Bell, Bryman, & Harley, 2019). First of all, it is recognized that complete objectivity is nearly impossible to obtain. However, certain measures were taken to ensure a degree of objectivity and transparency. As mentioned in the end paragraph of the data analysis, these included active reflection on the processes employed and leveraging the fact that we two authors could continuously question each other's assumptions and conclusions. Further, Lincoln and Guba (1985) suggest that another one of the auditor's objectives should be the establishment of confirmability. Through the aforementioned supervision meetings, peer-review seminars, and ASKS meeting our research was able to be reflected upon and scrutinized by external parties to aid in ensuring that we had not overtly allowed personal values, tendencies, or biases to influence the overall research and the interpretation of our empirical findings.

Last but not least, authenticity is concerned with the wider social and political impact this research has (Bell, Bryman, & Harley, 2019). Through a fair representation of the debate on each board attribute as well as of the interviewees' contributions, different viewpoints are accounted for to provide a genuine and credible analysis and discussion. Important to still mention is the role of interview biases. Our participants' perceptions of diversity and board composition attributes may therefore at times be a reflection of unconscious biases because they are, as Noon (2018) describes it, so deeply ingrained in a person's brain and undoubtedly influential in one's thoughts. Nonetheless, this study has allowed for the creation of a deeper understanding of each of the five board attributes and their respective influence on board effectiveness. Therefore, this research is considered worthwhile and a contribution to the field of corporate governance.

3.6 Ethical Considerations

When conducting research, especially one of qualitative nature, it is important to understand the role of ethics, when ethical issues may arise, and how to best combat them. The research and data collection was conducted based on four principles: (1) avoidance of harm, (2) informed consent, (3) privacy, and (4) avoidance of deception, to limit any ethical transgressions as explained by Bell, Bryman, and Harley (2019). Harm to participants can be caused in a number of ways such as by harming a participant's self-esteem, inducing stress, or harming one's career prospects (Bell, Bryman, & Harley, 2019). To ensure no harm was caused to the interviewees, they were informed prior to initiating the interview that they are allowed to discontinue the interview or refuse to answer a particular question at any point without disclosing the reason why. Further, informed consent involves ensuring that interview prospects have received sufficient information about the research in order to make an informed decision about their potential involvement (Bell, Bryman, & Harley, 2019). In accordance with this, all participants received adequate information about the research aim and objectives and the extent of their involvement in an initial email with the possibility of asking any clarifying questions to help make an informed decision. The permission regarding the use of recording equipment was also obtained prior to conducting any interviews. Strongly related to consent is the aspect of privacy which is concerned with protecting the research participant's personal information (Bell, Bryman, & Harley, 2019). To ensure participants' privacy was respected, the names of each interviewee and the companies they have been or are part of were anonymized. Lastly, deception occurs when researchers present their research as something different than its true nature (Bell, Bryman, & Harley, 2019). Of course, this is undesirable on all levels and for this particular research, there was no point in being deceptive about certain aspects of the study. The aim was to generate honest opinions and perspectives from each participant, and one could argue that requires full disclosure of research objectives.

4 Empirical Findings

The following chapter will present the empirical findings. The findings from each interview are structured according to each attribute and will be presented in a clear and coherent manner.

4.1 Interviewee Descriptions

Director A is a female in her early 30's. She began her board duties in 2018 and has held a total of five directorships within mostly technology and real estate firms. Director A has been an active board member in both public and private firms of mostly smaller size.

Director B is a female in her mid 30's who began her career as a board member in 2018. She has held four director positions in total. Director B has worked in both public and private technology and software firms, all of relatively small size with some being startups.

Director C is a male in his late 40's who has been a full-time board member since 1997. He has been active in a variety of industries including but not limited to beauty, luxury goods, software, and technology firms. Most of his 34 board memberships have been in small- to medium-sized firms. He has acted as an executive director, non-executive director, and board chair.

Director D is a male in his late 60's who started his career as a board member in 1980. He has been active in a variety of industries including software, IT, consultant and service companies, etcetera. He has worked in a total of 25 boards, both in public and private firms. Director D has experience with both director- and board-chair roles.

Director E is a male in his early 50's currently working operatively. He began working on boards in 2015 and has in total held eight board memberships in mostly small- to medium-sized companies. His board experience stems from both public and private firms.

Director F is a male in his mid 50's who started his career as a board member in 2017. He currently holds a director role on three boards, which is also the total number of boards he has

taken part in. All firms are predominantly within the IT and software industry with one firm being public while the other two are private.

Director G is a male in his early 50’s who still works operatively full-time but began working on boards in 2011. He has had active board duties in predominantly manufacturing firms, both public and private firms of varying sizes. In total, he has held seven directorships, both as a non-executive and executive director.

Table 1: Overview of Study Participants

Name	Gender	Board Roles Held	Present & Past Directorships	Industry
Director A	Female	Director	5	Tech, Real estate
Director B	Female	Director	4	Tech
Director C	Male	Director, Executive Director & Board Chair	34	Beauty, Luxury Goods, Software, Technology
Director D	Male	Director & Board Chair	25	Software, IT, Consultancy/Service Sector
Director E	Male	Executive Director & Director	8	Construction
Director F	Male	Director	3	Software, IT
Director G	Male	Executive Director & Director	7	Manufacturing

4.2 Definition of Board Effectiveness

The concept of board effectiveness is not easily defined. Nonetheless, as each director was asked what they perceive board effectiveness to be, some aspects stood out. Each of them is expanded upon below.

Ownership Directive & Board Chair Behavior

Both Directors C and D emphasized the importance of acquiring a clear ownership directive from the firm’s shareholders. Director C continues to explain that “*what makes a board effective is good management in the form of a board chair who leads and supervises the board. It is not*

always the case that the chair is as clear as they should be, but the chair needs to be extremely direct and clear about what it is the board is supposed to do and discuss to avoid it becoming general discussion forums". Similarly, Director A explains that the effectiveness is greatly affected by how the board chair wants the board to operate.

Competence Diversity

Director E states how *"it's important to make use of the collective set of competencies present in the board"*. This view is also shared by not only Director G but also Director B and D. As explained by Director B, *"competence diversity is important... and the better able you are at bringing forth everybody's different competencies and opinions, the more effective and high quality the board work is likely to be"*. She also says that in those boards she has been part of, *"having a mix of personalities has made the work more effective. I have seen that some want to be effective and close discussions quickly, while others want to open up the questions more and stimulate new thoughts and opportunities and openly brainstorm. It has made it so that people don't talk too long, but still bring up new stuff"*. Director F also brings up the aspect of age diversity by saying that *"when you only have old men, they lag behind in trends and digitalization. I've experienced that the younger ones create a push for the board to stay up to date"*. Director D also highlighted the importance of bringing something of value to the board of which you are a member of. Director C does however say that *"if you take away the competence and experience perspective, a board is healthier when it is diverse and when you actively work to bring diversity to the board.... It has significant value because it creates a whole other discussion climate"*.

Relevant Discussions

Another aspect that some directors explain that makes the board effective is the board's ability to allocate time to the most important questions. *"All relevant questions should be discussed thoroughly"*, Director F explains. Moreover, Director G points out that *"the discussions must be well-founded and there has to be a point with everything being discussed"*. Director A also says that it's about making sure that *"every board member is in agreement regarding which level the discussions should be at and what types of strategic questions that are talked about during"*

meetings... finding the right balance is incredibly important". In a similar manner, Director B describes that *"a board should cover its' most important responsibilities, however, this is not always the case"*. She goes on to say that *"it has varied between those boards that I have been part of. People talk a lot about other things that may not need to be talked about"*.

4.3 Board Attributes

The study set out to explore five distinct board attributes relating to its composition and certain diversity aspects. Below, each board member's experiences and perspectives are presented in accordance with each board attribute.

4.3.1 Board Size

All directors explicitly stated that boards should not exceed five to six people to maintain effective work. However, it was also highlighted that boards also should not be too small, depending on the purpose of it and the stage of the company.

Preferred Size

According to Director G, his experience is that in larger firms the board is most effective when there are five to six directors, but smaller companies or subsidiaries may be fine with three directors. He means that when a board is too big it is harder to maintain focus on the tasks and align different opinions, which decreases the effectiveness. Director C and Director D expressed how they have experienced that their larger boards have been less effective and that directors tend to become more passive in the board room. Director C described his experience on boards with ten directors as that *"nothing gets done. It turns into a debate club where everybody just sits there and talks about unnecessary things"*. He also expressed that the effectiveness of the board decreases when there are too few directors. For example, one of his boards with three directors led to fewer discussions and a poor group dynamic because *"if you are three, then it is always two against one"*. The concern of poor dynamic in too small boards was shared by Director E who experienced less fruitful discussions in small boards. However, he also warned that on too

large boards there can easily be a lack of responsibility among the directors, saying *“there is always someone else to transfer the responsibility to”*. Director B had similar experiences with a large board she was a part of and therefore stated that *“the right size of the board forces all participants to be active and contribute”*. She explained that when she was a director on a board with ten or more directors, there were no clear roles for all directors which led to some of them not raising their thoughts and opinions. Her concern is that it is *“always easy to add more people to increase competence, but harder to see the consequences of it”*. These thoughts were shared by Director F who meant that it is essential to cover the needed competencies without having the board grow too big. Like the other directors, Director A has experienced that larger boards aren't effective, but she does also point out that *“when the board is too small it becomes too informal and the decisions are taken outside of the boardroom which might lead to poor decisions”*.

4.3.2 Gender Diversity

Each interviewee was asked questions about the aspect of gender diversity. The overarching attitude was positive in relation to having female board members.

Improved Dialogues

Directors C, D, E, and F all pointed out how female directors positively affect the dialogues that take place in the boardroom. *“In all the boards I have been part of where we have had gender diversity... no matter one's background or competence... it creates a better discussion climate”* Director C explains. He goes on to say that *“when there's only men or especially old men, then it becomes more of a boys club culture and that doesn't work in today's companies. Today, everything is supposed to be so transparent and clear, and everything moves so fast. Then a board has to be responsive and move on from this boys club mentality with an ‘i know best’ attitude. I've experienced that having a few more women sets a better tone, keeps the board more grounded, and also helps in understanding trends and their effect on the business and so on. Women are also more engaged in issues brought up during board meetings”*. In a similar fashion, Director F explains how *“in one of my boards where we have two female directors, I've experienced a different dynamic and tone as well as greater vigor in the discussions compared to the other two boards I am part of where there are only male directors... I have experienced a*

tendency among women to ask questions in a different way and view certain issues in a different light than us stereotypical old men, and I think it's not only nice but also important to get that mix of perspectives". Director E is in agreement as he has experienced that women bring other types of questions and issues to the table. Director F does, however, explain that *"it's not like it becomes 'wow, what a difference', but I have experienced more nuanced discussions on boards with female directors. However, I don't feel that it has affected board effectiveness per se, but I do experience that women have helped to ensure that more thorough decisions are made rather than making hasty decisions"*. Director D has had similar experiences, stating that *"in a gender-mixed board there is no boys club culture... discussions are more straightforward and to the point and there's no bullshit when there are women on the board"*.

Female Board Behavior

Another aspect brought up by Director C is how women's behavior has evolved over time. *"When I started, women in the boardroom were much tougher... They had to be in order to get a seat at the table in the first place. As a result, they were quite tough and direct in their board work as well, which may not always be a good thing. As opposed to the last five, seven, eight years, I've experienced a more soft and humane female board member who has a better and more soft outlook on things"*. In Director A's years as a director, she has experienced females to be more reserved and quiet. She explains that *"I've seen how women tend to adopt a 'good girl' role, meaning that we are well-prepared, we wait our turn, and so on, while men tend to take greater liberties and take up more space"*. Director A goes on to say that *"a very important aspect is that a board is somewhat evenly balanced when it comes to gender. Say if you have only one woman on the board, then chances are that the board as a whole tends towards the more manly culture and way of discussing"*. In line with this, Director B explains how she personally takes more space and becomes a better board member when there are other females in the same board. While she explains that having a greater female board presence is both fun and inspiring, *"it hasn't really affected the board work and its effectiveness in my boards, but perhaps it positively affects the motivation in the firms overall"*.

Female Competencies

Another theme apparent in some interviews was how female directors often bring a similar kind of competence. Both Director E and Director F have experienced how women are often more knowledgeable and passionate in areas relating to human resources and sustainability compared to men. For example, Director E explains that *“when we as a board need someone who is good in say HR, well, then we bring in a woman because they are often the ones who hold manager positions within that area.... However, I have noticed that in those instances, those women more often than not only speak up in regards to their specific area of expertise, and that’s a shame because there is so much other competence there. Unfortunately, we men sometimes don’t let that type of competence in when discussing other questions outside of say HR then”*. Director B adds another aspect in relation to risk, explaining that *“in those boards I’ve been part of, I’ve noticed a trend that when the board is more gender diverse, there is a greater attention to risks”*. Additionally, Director F states how he has experienced female directors to be a little more risk-averse than their male counterparts.

Competence Matters

In contrast to many of the other directors, Director G has not experienced any significant differences when it comes to female board presence. In his opinion, *“gender shouldn’t matter. The important thing is the competence you possess and what you can bring to the firm”*. On some level, Director F agrees as he states that *“overall, I believe it is more important to have the right mix of competencies in the board rather than gender diversity”*. While Director D also takes a positive stance on having a gender-balanced board, he emphasizes how *“that type of diversity should not be accomplished through quotas. Each member must have the needed competence”*.

4.3.3 Multiple Directorships

When each board member was asked about multiple directorships and their effect on board effectiveness, everybody’s initial reaction was rather positive.

Cross-pollination

Director B has experienced that those who are engaged in multiple boards “*can draw many parallels regarding best practices. I often hear my colleagues say ‘we do like this on this board and it works really well’*”. Director A has experienced the same but also adds that “*it’s really good and valuable to sit on boards in different industries, given that they’re not in competition with each other of course*”. Director C and E even described the positive effects of engaging in multiple boards as “*cross-pollination*”. Director E further explains that “*Much of the board work is about trying to understand what happens in the world, what happens in the market, and if you then work on boards in different firms and in different industries, then you get this ‘cross-pollination’ that is extremely valuable*”. Additionally, Director D has experienced that “*directors are able to contribute more the more experience they have*”. Both Director F and G concur regarding applying insights from one board to another.

Time, Attention, & Preparation

All interviewed directors emphasize how the influence of multiple directorships on time and attention aspects depends on each director’s work situation. Director A explains how “*while it is generally positive with multiple directorships... it depends on if you are a professional board member, meaning that it’s what you do full time, or if you have another job in addition to your board memberships*”. Director F shares the same view and explains that “*While I have experienced multiple directorships to be healthy for many of my colleagues in all boards, the extent of it being favorable depends on if you as a director are able to allocate the necessary time. Being a board member naturally requires that you dedicate a certain amount of time and adequately prepare to be able to contribute effectively. This is not always easy when you have a regular daytime job, and if the necessary time is not allocated then the effectiveness suffers... There is an individual responsibility to make sure you can spend the needed time and effort, but it is also the responsibility of the Nomination Committee to check this before they nominate someone*”. Director B who works 80 percent as a consultant and 20 percent as a board member even confessed that “*in one of my firms where I’m on the board, I personally don’t spend as much time on preparation as I should because I don’t have the time*”. Similarly, Director G explains that in the public company’s board, “*those who had too many multiple board*

memberships sometimes weren't as prepared or available and that affected the attention they were able to devote to the boardwork". Moreover, Director E has found that the time and attention aspect of multiple directorships more so affect those who work operationally in addition to being a board member. He explains how *"while I've experienced that every director takes their role seriously, those who don't work with anything else besides boards, they are often a little more proactive, think things through a little more, and come with more prepared questions and perhaps work more with things in between the formal board meetings"*. Similarly, Director C explains that *"for those who sit on boards as a side job,... it is slightly more problematic in regards to attention and time aspects as opposed to those who work full-time with boards"*. In addition, Director D explained that *"when directors add on directorships, then it is the time and attention aspects that suffer. In my experience, five is enough if you do it full time... One full-time board member that I know has close to 14 and I don't think that is too good"*. Director D also points out that the phase the company is in as well as the role, i.e. normal directorship or a chair position, will affect the time and attention aspects in regards to holding multiple directorships. Lastly, Director G explains that when deciding to take on additional board memberships, it is more important to consider *"how heavy the board responsibilities are in the respective boards rather than the number of board memberships"*.

Contribution & Knowledge

Another apparent theme throughout the interviews is that those who hold fewer directorships and are generally less experienced board members do not act or contribute in the same way as those who have more experience. Director A has noticed that *"those who have a lot of directorships are more skilled and that is very apparent in the boardroom"*. For example, *"they can see parallels between their boards.... And I've also experienced that in some board issues, say for example compensation programs or investments, those with multiple directorships are oftentimes much more engaged"* Director B explains. Moreover, Director C states that *"those who have multiple directorships, it is an understatement to say that they have much more experience, and I have experienced that those directors better understand where to draw the line between what the CEO and top management team is supposed to do and what the board is supposed to do. While those who have very few or one board membership and are quite new to being a board member and maybe work full-time at a different company, they don't understand that equally well which*

often leads the board to sit and talk about more operational questions... and that's not what a board should be doing". Similarly, Director F explains that "those with greater board experience in the form of multiple directorships, both past and present simultaneous ones, know all the formal aspects of board work and what types of issues a board should and should not engage with". He ends by saying that "those who have multiple board memberships often add greater value to the firm compared to those who only have one". Director D adds to this by explaining that those who sit on only one board or who sit on the board simply because they are a large shareholder don't contribute as much and risk becoming passive in discussions due to their lack of experience and expertise.

Scheduling & Attendance

Three out of seven board members touched upon the issue of attendance and meeting schedules when being engaged with multiple boards. From his years of experience, Director C has seldom experienced issues with meeting schedules colliding. He explains that *"In all my boards, we plan far ahead. To make sure there are no problems, it's often about how the board chair wants to conduct his or her work. In those boards where the chair, after the annual general meeting, delivers a calendar and says 'this is what the next year will look like and meetings are scheduled on these dates', then there often aren't any scheduling problems"*. Director E and F have had similar experiences. *"We work with long planning periods. I have a board meeting in 18 months in my calendar"* Director E said. Director F also mentions that although additional directorships mean that you might have to compromise and miss a meeting sometimes, *"as a board, you try to make sure everyone is able to attend by planning ahead. Making sure everyone can participate has also become much easier since we have had more digital meetings due to covid"*. Nonetheless, neither Director C nor Director E has experienced any problems with people being overly absent. *"Everyone I've worked with on boards has always respected and prioritized board meetings,"* Director C said. Director E adds that *"You always manage to find a time in the morning or at night when it suits everyone, even for the spontaneous and non-scheduled board meetings"*.

4.3.4 Independence of Directors

The directors had different views on how independent directors affected the effectiveness of the board. However, many were of the impression that having at least a few independent directors on a board is important.

Well Balanced Boards

Both Director F and Director G said that it is important to find the right balance between dependent- and independent directors. Director C had the same experience and said *“You should strive to have a mix. A board that is completely independent of the owners is not good because then you lose the link with the owners”*. Director B even argued that *“I have experienced a different type of contribution depending on whether you are independent or dependent”*.

Questioning & Impartiality

Director C meant that independent directors increase effectiveness by saying that they *“are the ones questioning things. When there are only dependent owners and no one independent, there is no one there to soberly question things because owners are biased*. Director B concurs, explaining that independent directors are needed since *“those who are directors and also active within the firm tend to go more for the operational discussions... and sometimes defend past strategies or things of the past more than independent directors”*. In addition Director D said that independent directors *“increase effectiveness by being able to know which role to act according to. Sometimes dependent directors, both toward shareholders and the company, have some trouble with knowing how to act or ‘which hat to wear’”*. Director G has also experienced the importance of independent directors, explaining that *“independent directors make sure that the directors dependent towards major shareholders don't run over the others to get better dividends or so. There's less of a focus on one's own wallet when they are present”*. Important to not neglect is Director E's comment regarding independent directors still doing the job on behalf of someone else. More specifically, he said that *“I know what independence means... but I feel that you are still to a certain extent conducting the work on behalf of someone else... I would say you have a certain loyalty towards the firm or the person who nominated you... and therefore, you are kind of dependent in a way”*.

Competence & Expertise

Director B has experienced that *“those who have been independent on boards have more expertise and competence in a specific area which increases the effectiveness”*. Director D agreed and simply stated, *“Those who are independent are there because of their competence”*. Director F agrees and added that *“I’ve found it easier to recruit the needed expertise and competence when you look for independent directors because there is a larger pool to choose from... I have also experienced that they are usually more competent, if one is to generalize, than those who are directors of larger shareholders.”* In addition, Director C said, *“Those who are independent must be very good at what the company does because what you bring is your expertise in the industry, the dependent directors are only there because they have more or less decided to invest”*. However, Director F also emphasized that *“those who are dependent on the company, such as the CEO, have the greatest expertise when it comes to operational matters, and the most important thing for any director is that they have relevant skills”*.

Commitment

Some directors experienced that in some aspects, the independent directors did not contribute equally. Director B said *“Independent directors may take less part in discussions about funding rounds and company valuation because it may not matter as much to them - not a super big deal but it has caught my attention during board discussions”*. Director A stated that *“I have found in all my boards that being a dependent member gives greater commitment. There can be an imbalance if a board member has no connection with the company's management or has nothing important to contribute”*. However, Director E said that *“In my experience, both independent and dependent engage and take great responsibility in their board work because they respect the firm and the Swedish Company Act. No one runs over say the smaller shareholders. Instead, everyone works for the benefit of the firm”*.

Shares as Incentives

Finally, Director F mentioned that *“even if the directors are independent, I have experienced that it is sound to own at least some shares in the company”*. Similarly, Director A said *“I have found*

that it is good to have 'skin in the game', it acts as an attractive compensation mechanism to still have a small ownership”

4.3.5 Foreign Directors

The directors' experience regarding foreign directors in the boardroom ranged from positive to negative experiences, and some completely lacked experience with foreign directors. While some believed the foreign presence enabled effectiveness in many ways, other directors had mixed experiences. Since not all directors had sufficient experience from foreign directors, the answers were limited to the directors who had in order to avoid speculations.

Cultural & Behavioral Differences

Several of the interviewed directors have experienced that the foreign board members act and think in different ways compared to the Swedish directors. Director G experienced that having foreign board members, both in multinational groups and domestic companies, leads to higher effectiveness due to different behaviors. He stated that foreigners *“are a bit more tough and straightforward, not as polite and careful as the swedes so it leads to more honest discussions and better awareness of issues”*. Director B experienced different behavior from the foreign board members in her multinational board as well and said *“it led to other types of questions being raised during meetings”*. The main difference in behavior that Directors B, C, and F, experienced are that foreign directors have a greater focus on international expansion than Swedish board members, which many said can impact the effectiveness positively depending on the phase the company is in. Nonetheless, while Director C has experienced *“a difference in behavior due to cultural differences”*, he explained how it has *“not necessarily increased the effectiveness”*. He continued by stating that *“since we are a small country dependent on export we have learned a lot from different cultures and aren't as dependent on foreign directors”*.

Language Barriers

Director C claimed that having foreign directors on the board might decrease effectiveness since their presence means that *“there is a language barrier affecting the flow of the meetings.”* The

concern of language barriers affecting the meetings was shared by Director B who said that *“sometimes it makes the conversations flow poorly and that the issues discussed become a bit narrower.”* On the contrary, Director F and G never experienced such difficulties. Director G stated that *“since the corporate language is English, everyone is expected to have the skills so there have never been any problems”*.

Attendance

Another factor brought up in the discussions was whether the attendance of foreign directors had an impact on board effectiveness. Director C claimed that *“their availability is worse because they need to fly in which is tricky... The effectiveness is better if everyone lives in the same town”*. On the contrary, Director G stated that *“I have never experienced any troubles with attendance, they are always present and prioritize the meetings”*. He continued by saying *“Physical discussions are better for these occasions so it is important to plan ahead of time, but it has never been a problem. For other types of meetings, Teams work fine.”* Neither Director B experienced any issues with attendance but stated that *“sometimes the time differences make it so that the meetings are held at awkward times, but it has never been an issue with them not attending - so it does not disturb the effectiveness”*.

4.4 Other Factors Affecting Board Effectiveness

Achieving board effectiveness is not an easy task, and as previously mentioned, the above five composition and diversity attributes are not an exhaustive list of what has an impact on it. As such, each interviewee was asked about other attributes or aspects they have experienced which led to greater effectiveness.

Clear Agenda & Preparation

In line with only discussing relevant issues, Director B has experienced that *“It is important that the board sticks to a clear and concise agenda”*. This view regarding the importance of a clear formal agenda is also shared by Director F and G. Director F goes on to say how *“preparing and sending out the necessary material to board members before each meeting helps to ensure that*

focus can be allocated to the most pressing matters". The same positive effect has been experienced by Director G in the various boards he has participated in. Nearly all directors interviewed also mentioned that every board member needs to take their own individual responsibility and prepare for every meeting. Not only is preparation and a clear agenda necessary, but according to Director F, a good board report should be produced after each meeting. He says that *"in two of the three boards I'm active in, we have great ones, but there never is one in the third one"*. Additionally, Director F mentioned that attendance at board meetings is critical to be able to contribute and work effectively.

Continuous Dialogues

Another aspect that contributes greatly to board effectiveness according to Director F is the presence of a continuous dialogue between directors outside of the formal board meetings. The reason provided is that *"you are able to much faster and effectively handle unexpected situations and the like that arise"*. Director A further explains that in addition to director dialogues, *"as a board, you need to have a continuous dialogue with the management team"*. Directors G and E also explain how the board of directors should act as a sounding board to the CEO. Moreover, Director E explains that perhaps one of the most important things is that the board and the CEO view each other as allies and engage with each other on both short- and long-term business aspects. He exemplifies saying that *"having a CEO who asks for help with problems, then you get engaged board members who really want to help, as opposed to if the CEO says 'no, I've done everything right and let me just handle this'. Then it becomes quite boring being a board member and then they don't contribute as much"*.

Firm Specific Factors

The final point that five out of seven directors emphasized is that board effectiveness looks different for different firms. Director E describes that *"what is regarded as effective depends on the firm's stage of development, if it is successful, where one competes, and so on"*. Director C explains how *"in a smaller firm, say a startup, then it is important that the board work is more about operations. You could say that the board becomes more like a management team actually. While in the larger and more established firms, then it becomes really important that the board*

stays away from operational aspects. They shouldn't be too active in operations because there are other people employed to do that job". Director D and E echo the same view regarding operational involvement depending on which phase the company is in. Moreover, Director A has experienced that *"smaller firms, for example, early-stage firms, have a greater need for directors to work even more outside the boardroom"*. Director F concurs stating that *"while work outside the formal boardroom is important for any firm to be effective, it is especially important in smaller companies"*. Yet, to ensure that a board is as effective as it can be in any phase or industry, Director C argues that *"setting incentive programs, especially for independent directors, is really important... I've noticed that it is often forgotten a little and you instead work with what is the norm or average... You really have to think it through: how do we incentivize this specific director who is extremely skilled in this area to really help us"*.

5 Analysis & Discussion

This chapter will seek to situate the empirical findings in relation to previous literature and theoretical concepts in order to thoroughly analyze and discuss the results. Additionally, the results will be discussed in relation to the research question and purpose of the study.

5.1 Definition of Board Effectiveness

What constitutes effective work is somewhat subjective. When each director was asked about their interpretation of board effectiveness, certain aspects stood out. Directors B, D, E, and G pointed out that having diverse competence represented in the board as well as being able to leverage everyone's competencies partly means that you are being effective. Similarly, Directors B and F mentioned diversity in the form of age and personalities to be important to ensure effective board work. Tricker (2019) and van der Walt and Ingley (2000) concur, explaining how a well-balanced board and an appropriate constellation of directors are vital for success. Another is ensuring a continuous healthy relationship with the CEO as explained by Directors A, E, and G and, as Geyer (2020b) alluded to, having good management in the form of a board chair. This notion of a sound and appropriate leadership style within the board is also shared by Tricker (2019). As Director C emphasized, the purpose of the board and the discussions that are to take place must be communicated in a clear and direct manner, and based on the previous statement, that responsibility perhaps rests on the board chair. In line with this, Directors A, B, F, and G highlight that being effective in the boardroom means engaging in relevant boardroom discussion which Geyer (2020b) argues can be accomplished through a well-thought-out board work plan.

One could argue that the aspects of board effectiveness brought up by our participants insinuate a focus on creating value. For example, by focusing only on relevant issues and questions, you are inherently bringing value to the organization. The aspect of value-creation is not foreign in previous literature. Sheridan and Kendall (1992, cited in van der Walt & Ingley, 2000), Pye and Pettigrew (2005), as well as Martinez-Jimenez, Hernández-Ortiz, and Cabrera Fernández (2020) all emphasize how the board needs to genuinely add organizational value in line with stakeholder's interests.

Important to not neglect though is that no director explicitly brought up the aspects of monitoring and control which strongly relates to the agency theory perspective; a frequent aspect mentioned when defining board effectiveness academically. Perhaps none of the participants mentioned it because they assumed it was implied during the interview. Nonetheless, the empirical evidence had no mention of the management team needing strong monitoring and control. Director E did however explain the importance of the board and the management team acting as allies which were insinuated by others as well, such as Director A and G. Altogether, this indicates that directors taking part in this study may align more with the stewardship perspective in relation to board effectiveness. According to Davis, Schoorman, and Donaldson (1997), this theoretical perspective puts a greater emphasis on collectivism and trust, and that the management puts the company's interest first as opposed to their own self-interests.

5.2 Board Size

When the board exceeded six people, all directors experienced issues similar to what Jensen (1993) describes to be the consequences of a board larger than seven people. The directors explained how they experienced poor communication, but also less focus on the proper tasks, passivity among board members, and how it was harder to align opinions in the boardroom. All these experiences can be connected to insufficient decision-making, as described by Jensen (1993), which in turn negatively affects the effectiveness of the board. The unitary answers from the directors also confirm the results of Bøhren and Strøm (2007), Randøy, Thomsen, and Oxelheim (2006), and Yermack (1996) who all found negative effects of having a larger board. In addition, the directors' experiences partly validate the results of Bennedsen, Kongsted, and Nielsen (2008) who claimed that when there are under six directors there is also no effect on firm performance while there is a negative relationship when the board exceeds six directors. While the directors also claimed that six people were the maximum, Director A, C, and E also highlighted that too few directors on the board, for example three members, would have negative consequences due to poor group dynamic, too informal meetings, and fewer or insufficient discussions in the boardroom.

Further, the experiences of the interviewed directors did not align with resource dependence theory. While this theory would support the extra resources that additional directors would imply, all directors disagreed and claimed that it would compromise the effectiveness of the board as opposed to enhancing it. Similarly, while Barney (1991) claims that added resources improve both efficiency and effectiveness, the directors experienced that when passing their perceived limit of six people, the resources did no longer add any value.

5.3 Gender Diversity

As each director was asked about gender diversity, an overall positive tone was apparent. Directors C, D, E, and F all experienced better and more focused dialogues in the boardroom. Some of them mentioned how there is less of a boys club mentality and others how females add different perspectives and contribute to more nuanced discussions. Similarly, Terjesen, Sealy, and Singh (2009) and Nielsen and Huse (2010) explain how gender diversity has a positive effect on the boards' effectiveness thanks to their diverse interests and perspectives. If women are regarded as bringing valuable resources, then a greater female presence also makes sense from a resource dependence perspective. One could even argue that more focused, yet still nuanced, discussions may improve decision-making and ultimately contribute to greater firm performance. On the contrary, Hernández-Ortiz and Fernández (2020) would disagree, arguing that women do not improve board effectiveness which in part was measured as decision-making.

Another aspect experienced by Directors A, B, C, E, and F, although not equally prevalent in previous literature, is differences in female and male behavior and competencies. Director A experienced a more "*good girl role*" being adopted, and insinuated that women may sometimes become more passive than men. It is not clear if this is a role given to them by the expectations of their fellow board members or if this behavior comes solely from being a woman. However, one can speculate that if women sometimes become more passive in discussions, it may negatively affect decision outcomes and not contribute to board effectiveness. Nevertheless, Director F has a different viewpoint as he has experienced women to help ensure more thorough decisions are made. Moreover, it was mentioned by Directors E and F how women are perceived to be more knowledgeable regarding aspects relating to human resources and sustainability.

Because of that, Director E noted that oftentimes, women do not speak up equally much on other issues. Perhaps that may be because men “*take up more space*”, as Director A expressed. Having a majority of the directors bring up different aspects of how women are either “good girls” or prominent in caring areas such as human resources and sustainability raises the concern whether these kinds of roles are projected upon them rather than inherent traits. If directors believe women are an asset merely in these areas it might lead to them only being heard under such circumstances and in turn leading them to become more passive in other areas.

Nonetheless, it is important that everyone is being heard and contributes with their diverse human capital as it according to Terjesen, Sealy, and Singh (2009) heightens a board’s ability in being effective in their work. As such, good leadership in the form of a board chair may be needed to ensure everyone participates equally in all discussions. Moreover, while Sila, Gonzalez, and Hagendorff (2016) found no relationship between gender and corporate risk, Directors B and F experienced women to possess a greater attentiveness to risks and be, on average, more risk-averse. One could argue that a female’s greater focus on risk management enhances their ability to contribute to monitoring and control aspects which is also the sole purpose of the board according to the agency theory. Nielsen and Huse (2010) even argue for female directors being good contributors to board oversight.

Contrary to all other directors, Director G has not experienced differences in behavior in relation to gender and instead argued for competency to matter most. Similarly, no relationship between gender and a firm’s general performance has been found by Carter et al., (2010) nor by Randøy, Thomsen, and Oxelheim (2006). If no impact on the firm performance occurred, it may indicate that females do not have any greater impact on the board work and its effectiveness. This is in stark contrast to Adams and Ferreira (2004; 2009) who instead found gender diverse boards to be more effective in carrying out their duties than gender homogenous boards. While Director D and F experienced differences between men and women, they did explain how having the right competence on the board is of primary importance. As such, if competence is what matters most, perhaps “the case for greater gender diversity on corporate boards rests on a sense of fairness” (Sila, Gonzalez, & Hagendorff, 2016, p.46). Then again, if you are able to recruit the right

competence and that director also happens to be a woman, no director evidently appears to argue against that being a good thing.

Both of the female directors, namely Director A and B did however allude to a board needing more than one female representative. They explained how a more evenly balanced board may limit the risk of discussions tending towards a boys club mentality as well as help the women on the board feel more comfortable and take more space. Arena et al. (2015) support these claims by explaining how gender diversity has to extend beyond tokenism and instead reach a critical mass to have a noticeable benefit. In contrast, Nguyen, Locke, and Reddy (2015) see no need for a critical mass, arguing that while two or more women on a board are great, having only one can still positively affect the board's work. Evidently, the majority of directors have experienced a positive effect due to female board presence. Perhaps the responsibility then lies in the collective board making sure to welcome and encourage females to speak up. This may even begin with effective leadership in the form of a board chair.

Overall, the empirical evidence shows no negative comments regarding female directors. If anything, a mere few tended towards a feeling of neutralness regarding their effect on board work. Perhaps no one felt comfortable expressing negativity due to gender diversity being a sensitive topic or because we who interviewed were both females. Nonetheless, taking the evidence at face value, gender diversity is experienced as an overwhelmingly positive aspect.

5.4 Multiple Directorships

All directors exhibited a relatively positive attitude towards holding multiple directorships. Something not only all interviewees emphasized, but also Rubino and Napoli (2020), is the abundance of knowledge busy directors possess. Being active on multiple boards allows a director to leverage experiences and apply insights from one board to another, which Directors C and E labeled as “*cross-pollination*”. Furthermore, as Director E emphasized, much of the work you do on a board involves understanding what and why certain things happen in the internal and external environment. If a director has more experience through multiple directorships, and especially in different industries, they can better contribute to the execution of board tasks. This

is in line with Fich and Shivdasani's research (2006) which contends that multiple directorships can be a source of valuable experience. Directors A, B, C, and F even explained how those who sit on multiple boards were more effective in their work and created more value than those who have less board experience. In Director D's experience, those with less experience overall may even adopt a more passive role in the boardroom. Perhaps these perspectives were influenced by all directors either currently being part of multiple boards or having had extensive board experience. Nonetheless, in line with the Experience Hypothesis, one can assume that the accumulated valuable knowledge and experience of those holding multiple directorships has a positive contribution to the effectiveness of the board's work. Moreover, based on the resource dependence theory, one can infer that busy directors are advantageous as they provide important network connections and know-how, something Rubino and Napoli (2020) also emphasized.

Another aspect that every director explicitly mentioned was that of time, attention, and preparation in relation to holding multiple directorships. As Director F emphasized, to contribute effectively every director must dedicate the necessary time to each board. If not, Fich and Shivdasani (2006) argue for more distracted directors and boards which would negatively affect the board's duty from an agency perspective, namely effective monitoring. Evidently, this is easier said than done as exemplified by Director B who said she spends less time on preparation than she would like for one of her boards, as well as by Director G who experienced those with too many directorships to at times not be as prepared or available, and hence, less attention was devoted to board work. This clearly exemplifies Shalley's (1991) claim regarding the limited attentional capacity of humans and De la Rosa (2006) who concludes that too many board commitments negatively affect the time a director can allocate to each. Director G does however say that it is the heaviness of each board commitment, rather than the amount one should consider. This strongly relates to Director D's comment on the role one has in the board and how that impacts the time and attention one is able to devote. However, as established above, those with multiple directorships possess a great deal of valuable knowledge and are, therefore, as argued by Harris and Shimizu (2004), busy precisely because they are good contributors and effective directors.

This literary debate regarding multiple directorships and its impact on effectiveness does however depend on a director's other work commitments as pointed out by Directors A, C, E, and F. As mentioned by Director E, those who work operationally in addition to holding board memberships must more carefully consider the time and attention aspects. This is supported by Harris and Shimizu (2004) who also highlight how those with operational jobs must ensure that board work does not impede on one's primary work obligations. Therefore, similar to what Director F mentioned, one could argue that it is vital for directors to have some self-awareness to ensure they do not accept more than they can handle as to not contribute to worsened board effectiveness. He even claimed that the Nomination Committee has a role to play in ensuring that every potential director is able to allocate the necessary time and resources. Naturally, one can reasonably argue that the Experience Hypothesis only holds true to a certain extent until the Busyness Hypothesis kicks in.

Regardless if a director has an operational job in conjunction with board memberships or not, Jiraporn et al. (2009) concluded that busy directors exhibit a greater tendency to be absent at board meetings. In contrast, neither Director C, E, nor F recalled any attendance or scheduling problems in relation to holding multiple board seats. Harris and Shimizu's (2004) study strongly supports the directors' experiences as they found busy directors to not disproportionately miss meetings compared to non-busy ones. While the authors noted that busy directors may be more diligent in assessing meeting schedules before accepting additional board seats, all three directors emphasized the importance of planning far in advance which Director C argued comes down to having a proactive board chair. In addition, Director E has experienced that attendance has never been a problem for more spontaneous meetings either. Perhaps because every director takes their board membership seriously or perhaps it is based on directors' self-interest in maintaining a good reputation which either way positively affects the board work and the firm.

Naturally, a person's time and attention are not in unlimited supply, and clearly, some believe directors are at risk of being too stretched due to holding several directorships. However, like Ferris, Jagannathan, and Pritchard (2003), Elyasiani and Zhang (2015), as well as all directors explained, busy directors are on average advantageous. They possess valuable skill sets and

connections, have knowledge about best practices and can leverage them across boards, do not harm board effectiveness, nor shirk their responsibilities.

5.5 Independence of Directors

Even though independent directors is the only attribute being required by law and therefore not a free choice to include, all directors took a positive stance regarding the inclusion of independent directors. Director C expressed that boards should strive to have a mix of dependent and independent directors in order to be the most effective. Even though the law applies to public firms, it can be considered as a rule of thumb for private firms as well.

That independent directors “*soberly question things*” according to Director C might explain Pass’ (2004) notion as to why independent directors are better at holding the management accountable and detecting risks within the company. How Director B experienced independent directors to be less path-dependent to old choices and less prone to defending previous decisions also aligns with the same train of thought. These experiences can also connect to John and Senbet’s (1998) statement that independent directors are better at monitoring and have a higher vigilance towards how the management is performing. The same can be said for Oxelheim and Randøy’s (2003) idea of reducing unnecessary managerial entrenchment due to better monitoring. All of this boils down to how an effective board is one that can effectively monitor the management as described by the agency theory.

Also, Directors B, C, D, and F agreed that independent directors are there because of their competence, and as such, Director B explained how their expertise and knowledge often contribute to increased effectiveness, which one could relate to the resource dependence theory. The theory implies that additional resources lead to better performance, which one could say comes from an effective board. According to Johnson, Daily, and Ellstrand (1996), independent directors contribute to the firm success through their human- and social capital which can be derived from Director F’s statement that everyone is there because they bring something of value, which can be both their competence and their network as well as other resources, as can be found in the resource dependence theory. What has not been described in the literature but

was described by Director B, D, and G were that independent directors would contribute to better effectiveness due to their ability to steer meetings in the right direction. Unlike independent directors, Director D has experienced that those who are dependent often have a hard time “*knowing which hat to wear*” and may therefore engage in non-relevant issues or even become too operationally oriented in discussions. This benefit of independent directors is similar to that of multiple directorships, namely that they are also skilled at knowing what types of discussions a board should and should not engage in. As a contrasting opinion, Director F mentioned that the executive director has the most expertise when it comes to operational issues which again indicates that a mix is the desired composition. This is further supported by Tricker (2019) alluding to the fact that independent directors sometimes possess less know-how regarding firm- and industry-specific factors. Also, Director F's experience implies that the stewardship theory is relevant rather than the agency since they are using the management as a resource rather than an element they must monitor.

When it comes to the engagement of the board, our study exhibited mixed results. Directors A and B experienced that independent directors sometimes are not as involved and committed as the dependent ones. According to Mishra (2020), that might lead to monetary losses for the shareholders, indicating that the board is not as effective as it could be. It may also confirm Varottil's (2010) idea that independent directors are given a role that is disproportionate to how much they contribute. However, Director E instead said that all directors are equally committed. These results may beg the question as to if there are other reasons behind the issues with commitment the other directors experienced. Finally, Director E continued by saying that despite being independent, they are still there because someone within the company nominated and elected them, meaning that they are not technically independent. That idea is similar to how Cohen, Fazzini, and Malloy (2012) describe the selection, namely based on a director's perceived sympathy for management. If this is the case, one might argue that the benefits of having an independent director will be lost. Yet, if independent directors have what Director A called “*skin in the game*” through for example shares, which Director F also emphasized, one can believe it means that it is not a problem to be connected to the company.

5.6 Foreign Directors

Similar to previous literature which exhibits both positive and negative relationships between foreign directors and effectiveness, the directors were of different opinions.

The fact that Director G brought up how foreign directors are more straightforward, tougher, and initiates more honest discussions confirmed Oxelheim and Randøy's (2003) idea that foreign directors often prevent the "old boys network" by their willingness to put politeness aside. Additionally, foreign directors were experienced to raise other types of questions that may indicate how they care more about frankness and the mission to act on behalf of shareholders, which is described by Oxelheim and Randøy (2003). Further, Du, Jian, and Lai (2017) meant that foreign directors are better at monitoring, which can be connected to how Director G experienced foreign board members to have a better awareness of issues. This would also align with the agency theory stating that a board should be a monitoring instrument, and one could therefore draw the conclusion that a board is effective when the monitoring is sufficient. On the contrary, Director C meant that he never experienced any differences in behavior or cultural differences that affected the effectiveness. This may imply that other factors such as the stage of the company, the geographic reach of operations, or the other directors on the board have an impact on how well it works with a foreign board member. Directors B and C did however point to how foreign directors often have a greater focus on as well as experience regarding international expansion, which Schmid and Roedder (2021) argue is especially important when firms become more reliant on foreign capital and the like. Therefore, it is possible to believe that the importance of recruiting foreign directors may depend on the company's international status. According to resource dependence theory, the added resource in the form of international knowledge and connections would also indicate increased effectiveness.

Regarding language barriers, results were mixed. Director C and Director B stated that language barriers could be an issue leading to suffering effectiveness by affecting the flow and width of the discussions. These issues confirm the idea of Piekkari, Oxelheim, and Randøy (2014) that foreign board members might cause impoverished or silenced discussions. However, Director G mentioned that since English is the corporate language of his boards, the language has never been a problem. This confirms the second part of Piekkari, Oxelheim, and Randøy's (2014)

claim, which says that the board processes will only suffer when all the directors are not on the same level. This indicates that the problem might actually be connected to the skillset of the directors on a board rather than the fact that there is a foreigner present. This claim is further strengthened by the fact that the directors who highlighted language issues, Director B and C had less international experience while the one with more extensive experience with international groups, Director G, saw no issue.

Finally, even though it is reasonable to think that poorer attendance due to foreign directors could have affected the effectiveness, none of the directors experienced attendance problems. This indicates how geographical distance does not matter as much as the language and cultural differences. All in all, the somewhat inconclusive yet overall positive results in regards to foreign members and their impact on board effectiveness may indicate that Milliken and Martin's (1996) statement is true, foreign board members might be a double-edged sword.

5.7 Other Factors Affecting Board Effectiveness

In addition to the five attributes explored, the directors mentioned certain other factors that affect a board's effectiveness. One of them strongly relates to how to ensure a focus on relevant discussion points. As Directors B, F, and G explained, this can often be accomplished through directors taking preparatory actions before each meeting which is also emphasized by Geyer (2020a). In addition, the aforementioned directors emphasized a clear and concise formal agenda. As directors have an individual responsibility to ensure they can effectively carry out their duties (Kollegiet för Svensk bolagsstyrning, 2020), preparation through example thoroughly reading, reflecting, and conducting necessary research (Geyer, 2020a) is a reasonable expectation for any board.

Another important aspect Director A, E, F, and G experienced is the need for continuous dialogues outside the boardroom amongst not only directors themselves, but also between the board and the top management team. In line with Forbes and Milliken (1999), an effective board means directors are able to work together, and as such, continuous dialogues make sense. This strongly connects to the stewardship perspective in regards to its more collectivistic and

trustworthy view of people rather than emphasizing a need for control and monitoring, as indicated by Davis, Schoorman, and Donaldson (1997). Even so, one could argue that the agency theoretical view of the board being able to monitor and control the top management as explained by Kose and Senbet (1998) and Petrovic (2008) is enhanced when you ensure sustained dialogues between the two parties, both formally and informally.

Furthermore, Directors A, C, D, E, and F explicitly highlighted that what is considered effective for one firm may not hold true for another due to the influence of firm-specific factors. More specifically, those directors emphasized how smaller and less developed firms are often in greater need of the board adopting a more advisory role as opposed to monitoring and control. In line with this, Coles, Daniel, and Naveen (2006) argue for larger boards being more valuable when the management team requires more advice and operational help, which the resource dependence theory also indicates due to the presence of more expertise. Evidently, this is not the case according to the aforementioned directors. Interestingly enough though, busy directors can be argued to be of greater value to smaller, less developed firms who, in stark contrast to the agency theory, are in need of more advice as opposed to monitoring. Not only is this notion supported by Ferris, Jayaraman, and Liao, (2020), but Field, Lowry, and Mkrtchyan (2013) also explain the reason behind it, namely that busy directors have accumulated more experience, and knowledge, and are generally speaking more well-connected than non-busy directors.

Moving on, one can reasonably argue that the interactions that occur between board members are influenced by the composition of the board. Naturally, its composition affects the likelihood of group biases, one of the more common ones in relation to homogenous groups being groupthink as emphasized by Petrovic (2008). Furthermore, as Adobor (2004) argues for groupthink's negative consequences on decision-making but also for a board's overall effectiveness, it is reasonable to expect that diversity in relation to a board's composition is important. As all directors hinted towards at one point or another, diverging perspectives are important on a board and can be achieved through various diversity and composition attributes, which Kakabadse and Myers, (1996) describe can help to mitigate groupthink risks. In line with this, Director C specifically said that irrespective of people's competence and experience, "*a board is healthier when it is diverse*" due to its positive impact on the discussions that take place. All things

considered, the case for more heterogeneous boards through various attributes appears positive in the greater scheme of things.

5.8 Summary & Revised Framework

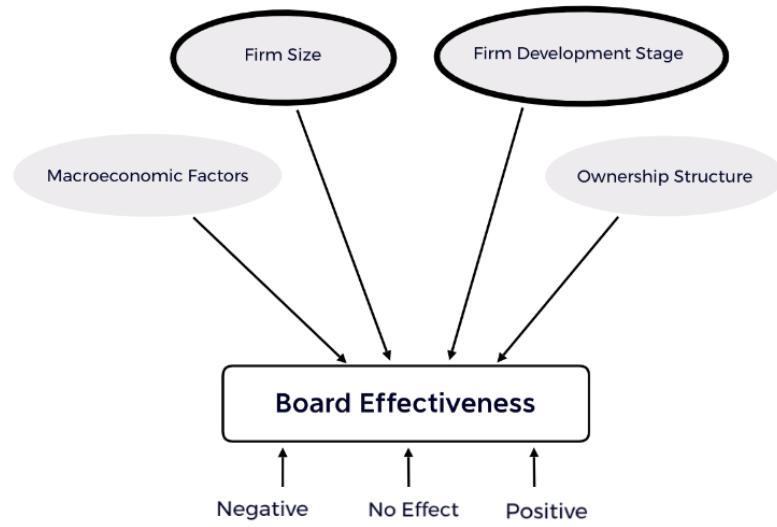
For this particular thesis, the following research question was posed: *How do board of directors perceive certain attributes of board composition in relation to board effectiveness?*

The findings of this study led to valuable insights in regards to certain diversity and composition attributes and their effect on board effectiveness. The empirical findings could not be connected to any specific industries, nor did the directors notice any differences between boards in different industries. In regards to board size, it was evident how all directors preferred a smaller board with five to six directors to increase the effectiveness of board tasks. Since the literature was overwhelmingly negative about having a larger board, the results simply confirmed previous literature. Regarding gender diversity the result also mostly confirmed the previous literature with none of the directors seeing a negative effect of having female directors present, but rather a positive- or neutral effect. The literature describing the effects of multiple directorships was partly positive and partly negative which is somewhat representative of this study's results as well. However, our interviewees put more weight on the positive influence multiple directorships have on effectiveness. Furthermore, the directors' experiences with independent directors were mostly positive. They did bring up some negative aspects as well but no neutral ones, which slightly differs from the literature. Finally, foreign directors were mostly perceived as a positive influence on board effectiveness with some inconclusiveness regarding issues like language barriers which somewhat aligns with the literature.

The reason for the differing results between empirical data and previous literature may be twofold. Firstly, the results from previous studies might have other underlying factors which have not been accounted for, that affect the result such as macro variables, cultural differences, chosen method, etcetera. Secondly, and maybe most important to emphasize, board effectiveness is a highly ambiguous term that has not been quantified or strictly defined in this study. Even though our study tried to somewhat define the term through a review of previous literature, the

director's answers were dependent on and influenced by how the directors themselves perceived board effectiveness. Furthermore, while the directors described board effectiveness as being able to leverage competencies, create value, have a good relationship with the management, and handle unexpected situations, many previous studies focus on firm performance, financial performance, earnings management, and similar quantifiable variables which are deemed to relate to board effectiveness.

As the results were not fully aligned with previous literature, it calls for an updated framework as depicted below. Besides altering how the different attributes affect the effectiveness, the other factors are also adapted based on the empirical evidence and its subsequent analysis. In contrast to Stimpert and Duhaime (1997), both “industry” and “industry development phase” are removed based on the analysis and discussion while “firm size” and “firm development stage” have been added, as indicated by the black border. Lastly, no new composition attributes were brought to our attention and therefore they will remain the same.



	Negative	No Effect	Positive
Larger Board Size	●		
Gender Diversity		○	●
Multiple Directorships	○		●
Independent Directors	○	○	●
Foreign Directors	○		●

Extent of research:

- Limited
- Somewhat extensive
- Extensive

6 Conclusion

The final chapter of this study will present concluding remarks. The research question will also be revisited. Lastly, the practical implications of the study as well as suggestions for any future research will be considered.

Corporate governance is a vital function for any firm. The importance of having a good and effective governance unit has only grown in recent years due to a multitude of corporate scandals. As such, the composition of corporate boards has garnered the attention of many researchers who have tried to pinpoint correlations and causal relationships between certain composition and diversity attributes in relation to a multitude of dependent variables, many being related to firm value or financial performance. Yet, few had examined board effectiveness in relation to certain diversity and composition attributes in a qualitative manner. As such, this thesis set out to explore the following question: *How do board of directors perceive certain attributes of board composition in relation to board effectiveness?* As explained above, through an analysis of the empirical data, it was clear how the results regarding each attribute both converged with but also diverged from previous literature in relation to its effect on board effectiveness. Then again, diversity in a board's composition appears to be valued based on the empirical results. Overall, the conclusions established through this qualitative study are deemed a valuable contribution to current research on the topic.

Throughout the paper, it became clear that the agency theory often is relevant when it comes to how the board is composed. The directors highlighted how certain attributes lead to better risk awareness, higher likeliness to call out the board when not having the right focus, and engaging in activities that benefit the shareholders rather than the management which are all in line with the ideas of the agency theory. Still, there were certain experiences and ideas that connected well to the opposite theory, namely the stewardship theory. The directors for instance described how effectiveness includes a good relationship to the management which confirms the theory's view on the management being an asset striving to benefit the company rather than a self-serving instrument that needs monitoring. Finally, the resource dependence theory was deemed relevant as each board member brings valuable external resources such as expertise and their networks to

the board. However, while procuring external resources is important, there comes a point, as previously mentioned, where too many additional resources in the form of directors might actually decrease the effectiveness.

Despite asking the directors to clearly distinguish between their different boards, they often described their experiences in general terms unless they had experienced clear differences which were then exemplified. This led to the assumption that there are no major differences in how composition affects board effectiveness depending on the industry, and only slight differences depending on the firm. However, it might be due to the fact that they have become generalists rather than specialists from operating in many different firms and industries. This may lead to them excluding differences between industries that others might have acknowledged. Also, not having the clear differentiation between boards led to fewer observations than expected, which in turn meant fewer cross-case comparisons than we would have hoped for. Still, all directors provided us with valuable insights, making it easy to understand and draw relevant conclusions on how board effectiveness is affected by certain diversity and composition attributes.

6.1 Practical Implications

The analysis and discussion of the empirical data points to a heterogeneous board being favorable in terms of achieving a good level of board effectiveness. Especially one that averages five or six board members is advisable. This implies that diversity and composition attributes in relation to the board of directors are important to continuously evaluate and think about to ensure the desired level of effective board work.

This study's conclusions first allow board members to understand the potential impact a board's composition as well as diversity aspects, or lack thereof, has on factors relating to board effectiveness. Likewise, our study will aid Nomination Committees in better understanding what to look for in a potential director. This is to be able to nominate the most suitable director candidates to ensure successful board work. Furthermore, as our study did not indicate any significant differences among industries, one can argue that our study's conclusions in relation to each attribute are applicable amongst a wide range of firms. Then again, the importance and

impact of this study's attributes may not always hold true depending on other firm-specific factors such as a firm's stage of development.

The conclusions of this thesis contribute to the overarching field of corporate governance. More specifically, the ongoing debate regarding various diversity and composition attributes' impact on corporate boards. Not to mention, our findings greatly contribute to the relatively scarce literature on the concept of board effectiveness. Lastly, the study contributes to research relating to the agency- and stewardship theories, as well as the resource dependence theory.

6.2 Limitations

This study had some limitations that should be taken into consideration. First of all, the sample was limited to only seven directors. A larger sample would not only have been more representative but could also have given additional insights and enabled greater diversification. However, considering the time limit it was deemed more appropriate to thoroughly analyze each board member and their answers to fully extract their knowledge and experiences. Secondly, the study was limited to only five attributes when in reality there are other attributes that can affect the board's effectiveness. The decision to only focus on the five attributes is partly based on those five attributes standing out as frequently occurring in previous literature, but also for the same reason as mentioned above regarding time limitations. Thirdly, as it is each director's subjective opinions that have been measured, it is impossible to determine if they are completely truthful. Norms, self-image, and similar factors might have led to them deviating from the truth or excluding certain experiences that are not socially acceptable for them to express. Still, as the overwhelming majority of previous studies exclude subjective elements by quantifying them, this type of study is deemed necessary.

6.3 Future Research

Conducting further research relating to this topic is not only interesting but also necessary due to there still being no universal consensus regarding various composition and diversity attributes

and their effect on board effectiveness. As such, we first suggest that a study addressing the previously mentioned limitations should be conducted to bring additional substance or alterations to our conclusions. This could include a larger sample size and an evaluation of additional board attributes, or perhaps strictly defining what board effectiveness is beforehand to ensure participants discuss each attribute in relation to an identical definition. Additional attributes to be explored could include but are not limited to age diversity, competence diversity and even task-related diversity attributes such as educational diversity. Moreover, we believe it would be an interesting contribution to literature if a cross-cultural study was conducted to capture any cultural similarities and differences in perceptions. What would also be of interest for future research is to better examine what Leblanc and Schwartz (2007) call the black box of the boardroom. A study focusing more in-depth on how various attributes influence group dynamics by being able to shadow ongoing board meetings in conjunction with director interviews would enrich the data and perhaps even help to establish a degree of causality between certain attributes and board effectiveness.

In conclusion, the board of directors fill a vital role in every company. While the establishment of one single optimal board composition is impossible due to each firm having unique needs, various diversity and composition attributes should be thoroughly considered. This is due to the fact that it is proven to have an effect on a board's work and its overall effectiveness. Needless to say though, we highly encourage other researchers to conduct further studies on what makes a board effective to expand the knowledge within this field.

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Appendix A

Intervjuguide

Hur ser din arbetsfarenhet ut kring styrelser?

Vad skulle du säga det innebär att en styrelse jobbar effektivt?

Probe: Innebär det mycket jobb utanför styrelsemötena?

Styrelse Storlek

Hur upplever du att styrelsens storlek påverkar styrelsearbetet?

Probe: Hur påverkas kvaliteten och effektiviteten av styrelsens storlek?

Hur motiveras/bestäms valet av styrelsens storlek?

Könsfördelning

Hur upplever du att närvarande av kvinnor i styrelsen påverkar styrelsearbetet?

Probe: Hur påverkas kvaliteten och effektiviteten av kvinnor?

För dom som suttit i styrelser med både kvinnor och män och endast män:

Ser du någon skillnad i hur en styrelse med endast män gentemot en styrelse med både män och kvinnor påverkar styrelsearbetet?

Probe: Hur tror du att styrelsens effektivitet hade förändrats eller påverkats av kvinnlig närvaro?

Parallella Styrelseuppdrag

Hur upplever du att innehavandet av flera styrelseposter påverkar styrelsearbetet?

Probe: Hur påverkas kvaliteten och effektiviteten när man har flera styrelseposter?

Probe: Hur resonerar du kring tids och uppmärksamhets aspekten när det kommer till att inneha fler styrelseuppdrag?

Märker du någon skillnad i arbetssätt och uppmärksamhet mellan kollegor som ej har andra styrelseuppdrag och dom som har flera pågående styrelseuppdrag?

Oberoende Styrelseledamöter

Vad är dina upplevelser kring formellt oberoende styrelseledamöter och dess inverkan på styrelsearbetet?

Probe: Hur påverkas kvaliteten och effektiviteten av oberoende ledamöter?

Probe: Upplever du skillnader mellan oberoende gentemot icke-oberoende ledamöter?

Hur har du upplevt att de som är oberoende mot både bolaget och större aktieägare påverkar styrelsearbetet gentemot de som endast är oberoende mot bolaget?

Probe: Tillför dom olika saker?

Utländska Styrelseledamöter

Hur ser du att frånvaron av utländska ledamöter påverkar effektiviteten och arbetet inom styrelsen?

Hur går dina tankar generellt kring utländska styrelseledamöter och vad dem har för inverkan på styrelsearbetet?

Avslutande Fråga

Utöver de fem attribut vi diskuterat kring, vilka andra anser du vara viktiga för att få ett effektivt styrelsearbete?

Interview Guide

What is your work experience as a director on boards?

What would you say it means for a board to work effectively?

Probe: Does it involve a lot of work outside the board meetings?

Board Size

How do you experience the size of the board to affect the board work?

Probe: How does the size of the board affect quality and effectiveness?

How is the choice of board size justified/determined?

Gender Diversity

How do you experience the presence of women on the board to affect the board work?

Probe: How are the quality and effectiveness of the board affected by the presence of women?

For those who have served on boards with both women and men and only men:

Do you see any difference in how a board with only men, versus a board with both men and women affect the board work?

Probe: How do you think the effectiveness of the board would have changed or been affected by the presence of women?

Multiple Directorships

How do you perceive that holding multiple board positions affects board performance?

Probe: How does holding multiple board positions affect quality and effectiveness?

Probe: How do you experience the time- and attention aspect of holding multiple board positions?

Do you notice any difference in working methods and attention between colleagues who do not have other board positions and those who have several ongoing board positions?

Independent Directors

What are your perceptions of formally independent directors and their impact on board work?

Probe: How is the quality and effectiveness of independent directors affected?

Probe: Do you perceive differences between independent versus non-independent directors?

How have you experienced the impact of those who are independent of both the company and major shareholders on the work of the board versus those who are only independent of the company?

Probe: Do they contribute differently?

Foreign Directors

How do you see the absence of foreign directors affecting the effectiveness and work of the board?

What are your general thoughts on foreign directors and their impact on board work?

Closing Question

In addition to the five attributes we have discussed, what other attributes do you consider important for effective board work?